

S-AZ	Indonesia	Rp310
Fiji	Portugal	Esc 100
Companies	Angola	R\$5.50
America	L1600	\$34.10
Companies	CIA 100	Rs16.00
Overseas	CIA 75	Rs15.00
Companies	Jordan	Frh 500
World Trade	Kuwait	Skd 500
Companies	Lebanon	SL125.00
Britain	Malta	MT125
Companies	Morocco	Pes 300
France	PF 25	Switz 220
Germany	PF 50	Turkey
Greece	PF 75	Yemen
Hong Kong	DH100	Zimbabwe
India	DH200	Zimbabwe
Indonesia	DH312	Zimbabwe
Japan	DH420	Zimbabwe
Malaysia	DH532	Zimbabwe
Thailand	DH642	Zimbabwe
World Index	DH752	Zimbabwe
World	USA	Zimbabwe

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER
Thursday September 17 1987

D 8523 A

No. 30,339

World News

Business Summary

Israel to impose sanctions on S Africa

Israel has finally bowed to US pressure by agreeing to some sanctions limiting business and diplomatic links with South Africa, according to a report yesterday on Israeli state radio. The measures are understood to be far more comprehensive, in theory at least, than had originally been envisaged. Details have not been formally announced.

According to Israeli officials, however, they include a ban on new investment in South Africa loans to and from it, the transit of South African goods through Israel, the purchase of its currency and visits by Israeli officials to the republic.

Gulf lull ends

A six-day lull in the Gulf war ended when Iraqi aircraft bombed Iran's main oil terminal at Kharg Island and a tanker on the Iranian coast - within 24 hours of a peace mission to the area by UN Secretary-General Javier Perez de Cuellar. Page 2

Nato accident toll

A British soldier and a West German civilian were killed and 76 people injured in 183 accidents in the first three days of large-scale Nato manoeuvres in northern West Germany, military officials said in Hanover.

Hungary austerity plea

Hungarian leader Janos Kadar criticized personal responsibility for economic mistakes in the past and urged Parliament to adopt the Government's severe austerity programme and wide-ranging economic reforms. Page 18

Peruvian strike

About 600,000 Peruvian civil servants began a 48-hour pay strike, closing government ministries and restricting public transport in Lima.

Sri Lanka gunbattle

Indian troops fought a gunbattle with Tamil Tiger rebels after they assassinated as many as 75 people in the Batticaloa district.

Zimbabwe presidency

Zimbabwe outlined plans to set up a powerful executive presidency - with a six-year term of office - and scrap the post of prime minister in a reform of its 1980 constitution.

Lebanon clash

Syrian-backed guerrillas killed three Israeli soldiers and wounded four in southern Lebanon.

Spanish killings

Gunmen suspected of attempted highway robbery shot dead a motorist, a police patrolman and a paramilitary civil guard at a roadside near Valladolid, central Spain.

PLO denounces US

The Palestine Liberation Organisation denounced a US decision to close its Washington office - because of what Washington described as PLO support for terrorism - saying the move resulted from pressure by pro-Israel lobbyists.

Soviet harvest hit

The 1987 Soviet grain harvest was in trouble because heavy autumn rains had prevented farmers from harvesting the crop on schedule, and the start of the winter crop was also being delayed, the government news paper Izvestia said.

Iceland hunts whales

Two Icelandic whaling boats began hunting sei whales after Iceland and the US resolved a dispute over Reykjavik's decision to resume whale hunting for scientific purposes.

Suicide honoured

More than 200,000 Indians defied a government ban to honour an 18-year-old bride who sat on her husband's funeral pyre and was burned to death in a village in western Rajasthan state. The woman's self-immolation, seen as the final act of fidelity in ancient India, has been outlawed for centuries.

Henkel and Colgate in French joint venture



Casper Weinberger: resignation of procurement chief a setback

HENKEL, West German specialty chemicals and detergents group, has reached agreement with Colgate-Palmolive of the US on a French joint venture to manufacture the household care products of Lesieur-Cotelle, French washing and detergents company which Henkel is

likely to set back seriously the

procurement chief's position as "procurement tsar".

AUSTRALIA'S share market

recorded to record highs in reaction to the near-balanced budget and interest rate cuts an-

ounce on Tuesday. The All

Ordinaries Index gained 43.4

points to close at a record

2,274.4. Markets soar. Page 3; Stock markets, Page 40

LONDON: Strong industrial production figures and a lower than expected PSBR figure for August lifted equities. Gils rallied from a weak opening to close above 1,553 at 2,278.5 and the Ordinary Index rose 14.8 to 1,792.2. Details, Page 26

TOKYO: After a weak opening

share prices rallied to close

marginally higher on demand

for high-technology issues. The

Nikkei average closed up 13.71

at 2,567.73. Page 46

WALL STREET: The Dow Jones

industrial average closed down

5.39 at 2,530.19. Page 48

GOLD fell in London to \$458.50

from \$459.55 from \$459.05. Page 23

DOLLAR closed in New York at

DM1.8140, Y143.75, FF15.0455,

SL1.5055

and DM1.8155

DM2.9525, but rose to Y144.25

FF15.0455 and DM1.8155. Page 25

On Bank of England figures the dollar index was unchanged at 101.0. Page 23

STERLING closed in New York at

DM1.8140, Y143.75, FF15.0455,

SL1.5055

and DM1.8155

DM2.9525, but fell to Y144.25

FF15.0455. On Bank of England

figures the dollar index was unchanged at 101.0. Page 23

LONDON: The pound's exchange rate index rose 0.1 to 73.1. Page 23

EQUITYCORP, New Zealand

banking and investment group,

has increased its bid for Guiness Peat Group, UK banking

and fund management group.

Mr Ongpin was widely expected

to be sacrificed in the re-

shuffle along with Mr Joker Ar-

royo, the Executive Secretary

and Mrs Aquino's closest and

most powerful adviser. His fate

had not yet been announced.

Yesterday's changes are not

likely to dispel the uncertainty

that has accompanied the long

delay in deciding which Cab-

inet resignations to accept. Mrs

Aquino gave no indication why

she had accepted Mr Ongpin's

resignation. Bankers and analy-

sts were puzzled over why she

chose to announce Mr Ongpin's

exit in advance of other changes.

Since the failed coup, the Ma-

nila stock market index has fallen

by 28 per cent. Half of this

drop occurred this week

reflecting growing nervousness

about the delay in forming a

Cabinet.

During a live television broad-

cast yesterday, Mrs Aquino

made no mention of Mr Ar-

royo. He has been widely criti-

cised in business and church

circles as a divisive and ob-

structive influence in the Cab-

inet.

Mr Jayne will now plunge

straight into the Philippines

debt crisis which caused Mr

Ongpin so much trouble at

home. The renegotiation of

\$13.2bn of debt is currently en-

tering a critical final stage.

The newly elected Congress

has tabled bills calling for the

debt restructuring deal to be

changed, either to limit the allo-

cation of foreign exchange for

debt servicing to 10 per cent of

export earnings, or to allow for

selective repudiation of debts.

These controversial bills are

still being debated.

In her television address Mrs

Aquino strongly defended her

handling of the anti-insurgency

policy, pointing out that in at

least three major speeches this

year she has called for an all

out offensive against the Com-

unist guerrillas.

He cited fundamental policy

differences, particularly over

Mrs Aquino's handling of the

18-year-old Communist-led in-

surgency. Mr Laurel has largely

been bypassed in Cabinet and

has barely disguised his ambi-

tion to be president.

It is unclear why he chose this

time to distance himself vis-à-vis

from Mrs Aquino, but since the

coup has made an extensive tour

of military bases during which

he has appeared to be

raising opposition to Mrs Aqui-

no and ensuring that his own re-

<p

EUROPEAN NEWS

Europe fails to agree on US space station plan

By Peter Marsh

HOPES ARE fading that a meeting of West European technology ministers in November will ratify plans for joint development with the US of an \$18bn manned space station.

At a five-day gathering with US representatives last week the 12 members of the European Space Agency failed to make any progress in resolving the problems that have dogged the discussions over the past two years.

Mr Jean Aerts, ESA's head of international affairs, said on Tuesday that "nothing happened" at the gathering in Frascati, near Rome, to meet European countries' demands over the station.

ESA wants the US to give it a significant say in managing operations on the orbiting base, which is due to house laboratories for scientific experiments and platforms for Earth observation.

Mr Aerts said the two sides were "still some way apart" from reaching agreement over the station, of which is due to start early next year with the base due to be launched in the mid-1990s.

The lack of headway last week results from US insistence that, as it is due to put up the bulk of the funds for the base, it should be firmly in control of managing the structure.

It also wants to reserve the right to use the structure for military experiments, to which many of the European nations object.

Pessimism from the European side makes it unlikely that a final agreement on the station — to which Japan and Canada are also due to make contributions, with the US putting up about \$14bn of the total cost — will be reached before the November deadline.

In that month, ESA ministers plan to meet in The Hague to approve plans for the station. At about the same time, the US is due to award roughly \$10bn-worth of contracts to US aerospace companies concerning station development.

The US National Aeronautics and Space Administration which, with the State Department, is handling the US side of the discussions, said it still hoped agreement would be reached as planned.

The department said that there might still be time, if ESA had any further problems over the negotiations, to fix up a further meeting with the Europeans before a gathering in Washington on October 7-8 which is due to finalise agreement on the station.

• Europe's space industry breathed a sigh of relief yesterday after the launch of Ariane, the West European rocket. It was the vehicle's first successful mission since March last year.

Ariane, which took off from the European Space Agency's rocket station in Kourou, French Guiana, had been grounded since a failure in May 1986, one of a series of rocket faults which has contributed to two years of gloom for the satellite business.

The rocket lifted into orbit two telecommunications satellites, for Eutelsat, a group of European telecommunications authorities and for the Australian government.

Ariane clears the way, Page 6

Greece cuts industrial labour costs

By Andriana Ierodiakonou in Athens

THE ECONOMIC stabilisation programme introduced by the Greek Government two years ago will have reduced real manufacturing unit labour costs by 4.4 per cent in 1986 and 3 per cent this year, according to a European Commission report on the competitiveness of the Greek economy. A summary of the report was released in Athens yesterday.

The stabilisation programme included a near freeze on wages, which ends in December, and a 15 per cent devaluation of the drachma.

However, the report says the improvement of the past two years is not substantial enough to counter the losses of the period between 1979 and 1985, during which unit labour costs for Greek manufacturing increased by an annual average of 4.7 per cent, against an average annual decrease of 2.4 per cent for the European Community as a whole.

During the same period productivity in Greek manufacturing fell by an average 1.4 per cent per year, while employment increased by 0.8 per cent annually. By contrast, for the EC as a whole, productivity increased by an average 3 per cent a year, while employment fell by 2.6 per cent annually during the same period.

The report notes that the October 1985 devaluation of the currency boosted exports in 1986 and this year, but has had only a small impact on the volume of imports.

Ian Davidson on a ground-breaking Franco-German defence exercise

Paris and Bonn get into step

FRANCO-GERMAN co-operation takes a step forward next week with the first-ever large-scale joint Franco-German military exercise, numbering 55,000 West German soldiers and 20,000 French.

Apart from its sheer size, the exercise, Moissons Hardi, or Bold Sparrow, will break new ground in at least three ways. It will symbolise France's growing readiness to endorse, at least obliquely, a political obligation to take part in the forward defence of West Germany. Ever since General de Gaulle took France out of the North Atlantic Treaty Organisation in 1966, French insistence on its freedom to stand aside from any European conflict has been a bone of contention with its allies.

Second, the exercise will underline the new readiness to acknowledge a political commitment to the defence of West Germany by placing French troops, during the crucial final phase of the exercise, under German command.

Third, it will test the effectiveness of the French Force d'Action Rapide (FAR), which was created in 1983 specifically to enable France to intervene speedily with mobile troops in Germany.

The decision to hold the exercise was announced 18 months ago by President Francois Mitterrand and Chancellor Helmut Kohl in Paris. They are expected to mark the conclusion of the



Francois Mitterrand: ready for obligations

exercise with a ceremony on September 24.

Earlier this year Chancellor Kohl suggested the formation of a mixed Franco-German brigade as a way of tightening the defence links between the two countries. While it remains unclear how it could be set up in practice, it seems probable that the idea will be given further impetus if the joint exercise proves successful.

One of the impediments to a joint brigade, as at first perceived by some outside observers, was that of command. It now appears, according to French official sources, that the brigade would be under French command.

By contrast, in the scenario planned for Moissons Hardi, the French units are to be under German command. The political implications may not be all that far-reaching, however, because there is obviously a difference between permanent unit and an ephemeral exercise.

The FAR consists, in its full strength, of five specialised divisions totalling around 47,000 men: the 4th Armoured, the 6th Light Armoured, the 1st Parachute, the 9th Marine, and the 27th Alpine. The first three will be taking part in the exercise, including virtually all its armoured vehicles (around 550) and its anti-tank helicopters (around 240).

The scenario for the exercise is that the 1st German Mountain Division faces difficulty in beating off an attack from the East, calls on France for reinforcements, and (as a discrete act of French choice) is given command over those units of the FAR which are mobilised.

The units of the Force d'Action Rapide will start by being mobilised in France, and cross over into Germany on Sunday.

When the FAR was announced in 1983, French official commentary stressed its potential role in intervening overseas, as it might be in Chad, whereas its potential utility for intervening in the forward defence of Germany was downplayed.

The size and configuration of the force, with its tanks and anti-tank helicopters, showed



Helmut Kohl: suggested Franco-German brigade

clearly that the real order of priorities was the other way round, but no French government was yet ready to admit any crack in France's long-standing opposition to a commitment to the forward defence of Germany.

That commitment is still far from automatic, but the public relations presentation of the exercise has given ground, but no more ground, has been travelled in the past four years. A joint military communiqué issued before the exercise said: "By the participation of the FAR, France shows that she is ready, at the side of the Federal Republic, to repel an aggression and defend freedom."

Opec 'cuts September output by up to 9%'

BY RICHARD WATERS

OPEC, scared by a drop in prices, had cut production this month by between six and nine per cent from August, market experts said on Wednesday. Reuters reports from London.

A move to stricter adherence to cartel-mandated output quotas had been made but the drop in output might only be temporary, the analysts said.

August output jumped as Gulf tension sent prices higher, tempting some Opec members to overshoot quotas.

Refiners rushed to increase emergency stocks in case supplies were disrupted which left the stocks unsold, pressuring prices.

Industry analysis assessed August Opec output at up to 19.6m barrels a day, against a cartel-defined ceiling of 18.6m.

September levels could be down at 18 to 18.5m market experts said, although an Iraqi plan to export more through a new Turkish pipeline across Turkey could later bring it higher.

North Sea crude prices are a good barometer. Crude from Britain's Brent field was quoted around \$18.55 a barrel on Wednesday, up a dollar from August lows to which the excess supply sent it.

Also underpinning the oil price, Iraq yesterday raided Iran's oil terminal at Kharg island in the Gulf, ending a six-day lull in attacks on Iran's oil facilities.

But stocks of oil in the 24 industrial nations of the Organisation for Economic Cooperation and Development (OECD) are thought to have risen as much as 2.6m barrels daily in August, taking them to comfortable levels.

Mr Rilwan Lukman of Nigeria, the Opec president, has said the cartel overproduced only by around 1.2m barrels a day in August.

After complaints about overproduction by some members, notably Saudi Arabia and Iran, Opec is sending Mr Lukman and the oil ministers of Venezuela and Indonesia to visit the heads of state of all members to urge compliance with quota next month.

The tour is crucial for Opec one analyst said. He said Opec could pump 18 to 18.2m barrels daily this month.

The tour is crucial for Opec one analyst said. He said Opec could pump 18 to 18.2m barrels daily this month.

Accountants see off world tide of litigation

BY RICHARD WATERS

THE DECISION of a Hong Kong court this week not to prosecute two Price Waterhouse auditors is the latest signal that accountancy firms around the world are successfully fighting off the waves of litigation that have threatened to overwhelm them.

Two other judgments recently — over Continental Illinois bank in the US and property developer Cambridge Credit in Australia — reinforce this trend. Auditors hope that these will make would-be litigants think twice.

Writs have flown from all sides against auditors this decade. The firms' insurance cover against negligence payouts has proved as much a hindrance as a blessing. With companies and their directors vanishing into the financial equivalent of a black hole, the auditors (and their deep-pocketed insurers) are the only ones left for the creditors to sue.

The result has been a wave of calls in the US, the UK and Australia for firms to be given some measure of legal protection.

Carrian marked a new departure: two Price Waterhouse employees faced criminal charges of conspiracy.

The ESM case is exceptional. The Alexander Grant partner responsible for the handling of ESM admitted fraud, laying his fellow partners open to claims. At one stage claims from creditors and shareholders totalled more than \$1bn.

The bad news may not be over yet. Britain's two largest writs — one brought by the Bank of England against Arthur Young over Johnson Matthey Bankers, the other against Arthur Andersen over De Lorean — have yet to be fought in court or settled out of it.

"I don't think the practice of having to go again the auditors has ended," said Mr Jeffrey Bowring, senior partner of Price Waterhouse in London. "But the general lesson is, when you read about large claims, they normally come to very little."

The Carrian collapse stand in good stead.

The Carrian collapse involved deception, said Mr Justice Barker. "Deception is the antithesis of conspiracy. If anything, there was a conspiracy against the auditors."

"We're delighted the judge has seen it our way," said a spokesman for Price Waterhouse in Hong Kong. "There is normally come to very little."

Some outstanding law suits against auditors

Defendant (and country)	Amount (where known)
American Reserve	\$160m
Arthur Andersen / Coopers & Lybrand / Peat Marwick Int'l / Cawthron Gordon / Price Waterhouse (Hong Kong)	—
Bellberry Mine	\$180m
Canadian Commercial Bank	—
Carrian	\$240m
De Lorean	—
Johnson Matthey Bankers	—
Insurance Corporation of Ireland	—
Penn Square Bank	—
Overseas Trust Bank	—
Wedtech	\$70m
Ernest & Whitney (Ireland)	—
Peat Marwick (US)	\$130m
Coopers & Lybrand (Hong Kong)	—
Mainland (now part of Peat Marwick) (US)	—
Tesche Ross (US)	\$25m

Carrian prosecution goes on trial

David Dodwell on an inquest into the failure of Hong Kong's longest and costliest fraud case

"CARRIAN: the inquest begins" said the front-page headline of the South China Morning Post, Hong Kong's leading English-language newspaper yesterday after Mr Justice Barker's decision to acquit the six defendants in the British colony's longest and most expensive fraud trial.

The inquest will be inside the Hong Kong Government, whose legal department has put more human and financial resources into this case than any other.

It will focus not just on the issues of whether the prosecution case was mishandled, and whether the case justified the HK\$37m (\$2.1m) spent from the public purse, but on the wider issue of the problems of prosecuting complex fraud.

It is likely to revive proposals for simplification of the prosecution of complex commercial crime which were shelved a year ago after opposition from the public and the legal profession. These would have replaced juries with a judge sitting with two independent assessors. A new bill is understood to be almost ready to be released.

Carrion, the property and shipping group, which grew from insignificance in 1977 to become one of Hong Kong's most prominent companies, collapsed in 1983 with debts of about HK\$10bn.

Allegations of conspiracy to defraud shareholders were brought first against its former chairman, Mr George Tan, and Mr Bentley Ho, Mr Tan's right-hand man, and then later the brothers Rogerio and Steven Lam, business associates of Mr Tan, and two accountants with Price Waterhouse in Hong Kong who were responsible for auditing the Carrion accounts.

The collapse of Carrion embarrassed the Malaysian Government when it was found that Bumiputra Malaysia Finance (BMF), the Hong Kong-based subsidiary of Malaysia's biggest bank, was Carrion's biggest creditor.

Scandals arising out of Kuala Lumpur into how loans amounting to about HK\$300m were made to Carrion have led

Glaxo patent move challenged

BY WILLIAM DAWKINS IN BRUSSELS

Lord Plumb: Moscow visit expected

agreement between the EC and Comecon, the Soviet-dominated trading bloc.

The court's ruling is

expected by next spring.

Allen and Hanburys holds the UK patent for salbutamol, an asthma treatment sold as Ventolin. Other Glaxo divisions hold similar patents in all EC member states except for Italy, where it was not possible to get such protection for pharmaceuticals when the drug was invented 20 years ago.

The legal battle started when an independent drug supplier, Generics (UK) started three years ago to import low-cost Italian copies of salbutamol. This was without Allen and Hanburys' permission, though Generics did make an unsuccessful attempt to agree on a licence with the Glaxo subsidiary obtained an injunction against Generics' salbutamol imports from the House of Lords, later challenged by Generics, on the grounds that it contravened EC rules against "arbitrary discrimination" on trade between Community countries.

However, Allen and Hanburys maintained that it should not be put at a disadvantage just because salbutamol could not be patented in Italy, especially in view of the fact that Generics does not have in its research and development costs put in by the drug's inventors.

The court's decision is

expected by next spring.

Allen and Hanburys' patent

application was rejected by

the Patent Office in 1985.

Generics' application was

granted in 1986.

Allen and Hanburys appealed

against the Patent Office's

decision, but lost.

Allen and Hanburys' patent

application was rejected by

the Patent Office in 1985.

Generics' application was

OVERSEAS NEWS

Australian markets soar after budget

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIAN financial markets, buoyed by the balanced budget unveiled on Tuesday night, yesterday reacted enthusiastically to produce sharply lower interest rates, a stronger currency and a powerful surge in share prices.

The eruption of confidence was helped by improved monthly balance of payments figures and the encouraging result of a Treasury bill tender by the Reserve Bank. Most interest groups, but not the opposition parties also reacted positively to the Government's measures.

Last night Mr Bob Hawke, the Prime Minister, summarised the budget by proclaiming: "We have delivered." Before a post-budget gathering of businessmen and bankers in Sydney, he

asserted: "We have delivered—consistently now, over five budgets—the right mix of policies to restore economic health."

In Australian terms yesterday's market developments, in which the initially bullish budget reaction overnight turned into a stampede, were dramatic:

- Interest rates on 90-day Treasury bills started lower and finished at 11.45 per cent, down from 11.9 per cent. Rates for 10-year bonds also fell, and both trends were further reflected in the futures markets.

- In the Reserve Bank's weekly Treasury bill tender, bids for A\$400m of three-month paper fell to 10.86 per cent, down more than 60 basis points from the previous week's level of 11.58 per cent.

Share prices surged to fresh highs in heavy trading. The All Ordinaries index, covering some 280 companies across all sectors, finished off the top but still 43.4 points higher at 2,274.4.

The rises appeared to favour blue-chip stocks which would

benefit from the prospective fall in interest rates. But the impact was widespread, and the gold index of 44 mining companies surged through the 4,000 barrier to 4,018.2.

Balance of payments figures, though only for the month of August, fuelled the momentum by coming in below expectations and halting a worrying trend seen in July.

The figures showed a current account deficit for the month, the second of the new 1987-88 financial year—of A\$500m, down more than A\$500m from a revised A\$1.4bn in July.

Particular encouragement was drawn from the fact that seasonally adjusted exports rose 12 per cent while imports fell 7 per cent to leave a positive

trade balance. The net services deficit was also down.

Also helping the markets was the budget announcement of a review of corporate taxation. Yesterday the Government indicated this would eliminate the competitive disadvantages Australian companies may be suffering through taxation.

Amid the euphoria, a cautionary note was sounded by Mr John Howard, the opposition Liberal Party leader.

He cast doubt over the factors contributing to the "balanced" budget, said interest rate falls were from historically high levels which had deterred investment and drew attention to the continuing high inflation rate, current account deficit and foreign debt burden.

Gulf war flares anew at end of UN mission

By Our Middle East Staff

THE GULF war flared again yesterday as Iranian artillery shelled Basrah and Iraqi aircraft hit the Kharg Island oil terminal in the wake of the apparently abortive peace mission of Mr Javier Perez de Cuellar, UN Secretary-General.

A communiqué issued by the Iraqi high command said that its aircraft struck the eastern jetty at Kharg Island, Iran's leading export facility, yesterday morning.

Earlier a military spokesman in Baghdad said that 21 shells had hit Basrah, Iraq's second largest city, on Tuesday night only hours after Mr Perez de Cuellar had left, at the end of his five-day mission. He was expected last night to report to a special session of the UN Security Council on the outcome of his bid to gain Iran's acceptance of his July 20 resolution calling for a ceasefire.

Iraq's attack on Kharg Island ended a respite in attacks prompted by the Secretary-General's visit to the Gulf.

Tehran Radio said that Iranian forces would start amphibious massacres.

Yesterday involving "a brigade of tribal men from the Holy Mohammed Division of Baluchistan," Mr Perez de Cuellar appeared to do nothing to break the deadlock arising from Iran's refusal to accept the resolution unless Iraq was branded as the aggressor in the seven-year conflict.

Israel to sever links with South Africa

ISRAEL, under US pressure to scale back ties with South Africa, decided on Wednesday to impose sanctions limiting trade, cultural and scientific links with Pretoria, the state radio reported. Reuter reports from Jerusalem.

It said the South African Foreign Ministry and Pretoria's ambassador to Israel were already being briefed on the sanctions recommended by a government committee led by Mr Yosi Beilin, the Foreign Ministry Director-General.

Foreign Ministry officials have refused to elaborate on the Beilin report.

S Korean politicians agree timetable for general election

By MAGGIE FORD IN SEOUL

AGREEMENT ON the holding of a general election in South Korea was reached yesterday by a joint committee of opposition and ruling party members, paving the way for a referendum on the country's new constitution.

The general election for the National Assembly is to be held within six months of the acceptance of the new constitution, following a presidential election scheduled for December.

Negotiations over the assembly elections have held up progress towards democracy because of disputes over timing. The ruling Democratic Justice Party, headed by Mr Roh Tae Woo, had wanted the election to be held in February. The opposition Reunification Democratic Party wanted to put it off until after President Chun Doo Hwan steps down at the end of his term on February 25.

Bank opened in Peking

THE COMMUNIST world's first financial conglomerate officially opens a bank on Wednesday, a milestone on the road of rapid expansion, Reuter reports from Peking.

State-owned China International Trust and Investment Corporation is due to unveil the Citic Industrial Bank at a glittering ceremony at the company's Peking skyscraper, to be attended by most of China's economic leadership.

The bank, which has been doing business since May, is the latest addition to the Citic em-

In October a national referendum is to be held to approve the revised constitution, the first ever produced in South Korea by bipartisan agreement. The election campaign will then proceed, assuming the parties have chosen their candidates.

Mr Roh will stand for the ruling party, but two politicians, Mr Kim Young Sam and Mr Kim Dae Jung, are candidates on the opposition side. The two have pledged that only one of them will stand.

A fourth contender, Mr Kim Jong Pil, has indicated that he may throw his hat in the ring. Mr Kim was head of the Korean Central Intelligence Agency under the regime of President Park Chung Hee. Mr Kim's predecessor, although he is given no chance of winning, he may be able to affect the result by diverting votes in certain constituencies, especially affecting Mr Roh, observers believe.

Chris Sherwell on the assumptions behind what critics call an over-confident budget

Confident Keating keeps eye on trade terms

MR PAUL KEATING, the Australian Finance Minister, had for weeks encouraged people to think that the closely-watched budget deficit figure would be little less than A\$1bn (A\$44m) when he presented his fifth budget on Tuesday night. A zero-deficit budget or a surplus, as some urged, was simply not feasible.

Yet he opened his brief 20-minute speech with the words: "Madam Speaker the budget for 1987-88 is in balance."

Though it contained no other surprises, the budget continued Australia's deliberately gradual adjustment to its worsened trade position. It was also full of self-confidence—critics would say over-confidence.

It projects increased real growth of 2.75 per cent, higher than the Organisation for Economic Co-operation and Development average, 100,000 new jobs with no rise in unemployment, the repayment of A\$2bn in debt, a real rise in business investment of 4 per cent and a progressive fall in corporate tax rates.

Against this, the decline in the current account deficit from A\$13.6bn to A\$11.5bn would leave it at a still high 4 per cent of gross domestic product. Net external debt is forecast to rise still higher as a percentage of GDP from 31.4 per cent.

The budget foreshadows a decline in the annual inflation rate from 9 per cent to 8 per



Paul Keating: "We have turned the corner"

enough.

It is a criticism he happily takes on the chin. Twice in his budget speech on Tuesday he dwelt on what is a centrepiece of the government's economic strategy.

"We could have reacted to this trade deterioration by pushing all the economic levels into reverse," he said. "That has been tried in the past, both here and in other countries.

"And where it has been tried, it has not produced the quick results hoped for, and it has resulted in sharply higher long-term levels of unemployment, declining living standards and

Another is that import

destructive social conflicts. "We have rejected that path, and the events of the last 18 months have shown that we were right. We have turned the corner, and the big gaps in the trade accounts have begun to close."

On the question of whether year of a row that exports have made a positive contribution, an exceptional performance by Australian standards if it happens.

However, it will leave remaining growth to come from domestic demand, which, after the public sector cuts, means the private sector.

Of this, half a percentage point is forecast to come from increased levels of investment rather than consumption—in investment, it is presumed, which is not excessively import-dependent.

Investment should be stimulated by lower interest rates following the government's reduced call on funds, but the confidence factor will be crucial.

The Government forecasts a pick-up in business investment from less than 1 per cent real growth in 1986-87 to 4 per cent this year.

The rest of the projected growth comes from consumption, again, it is hoped, of goods produced locally as a result of import substitution and from rebuilding savings drawn down to maintain living standards.

volumes remain flat while exports grow. Of the 2.75 per cent growth projection, one percentage point is to come from net exports. Of this, an increased share is expected from manufactured exports and tourism rather than primary resources.

This would make it the third year in a row that exports have made a positive contribution, an exceptional performance by Australian standards if it happens.

However, it will leave remaining growth to come from domestic demand, which, after the public sector cuts, means the private sector.

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DAEWOO

C.P.O. BOX 2810 SEOUL, KOREA

TELEX: DAEWOO K23341-4

WHO'S

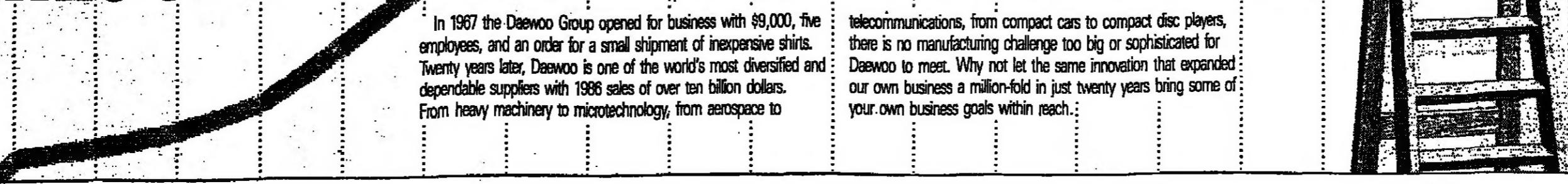
REACHED WORLDWIDE SUCCESS IN ONLY TWENTY YEARS?

In 1967 the Daewoo Group opened for business with 49,000 employees, and an order for a small shipment of inexpensive shirts. Twenty years later, Daewoo is one of the world's most diversified and dependable suppliers with 1986 sales of over ten billion dollars. From heavy machinery to microtechnology, from aerospace to

telecommunications, from compact cars to compact disc players, there is no manufacturing challenge too big or sophisticated for Daewoo to meet. Why not let the same innovation that expanded our own business a million-fold in just twenty years bring some of your own business goals within reach.

DAEWOO

THAT'S WHO'S



THE IMF ANNUAL REPORT

Slow growth and debt burden set sombre scene

THE International Monetary Fund yesterday underlined the importance of sustained growth in the world economy of firm action to reduce the US budget deficit and of measures to promote a faster expansion in Japan and West Germany.

In a sombre review of economic trends over the last year, the Fund said that external national trade imbalances still posed the threat of protectionism and the risk of turbulence on financial markets. Its annual report expresses serious concern about the sluggish pace of growth in industrial countries and the increasing difficulties faced by heavily indebted developing nations.

During 1986 and early 1987 economic growth in industrial countries slowed real primary commodity prices continued to decline, external imbalances widened, protectionist pressures intensified, and the financial position of many developing countries deteriorated further, it says.

The report does not include the Fund's latest forecasts of the outlook for the remainder of 1987 and 1988. But those

forecasts, to be published formally at the IMF-World Bank annual meeting later this month, hold out little prospect of a significant upturn in economic growth.

IMF economists believe that the industrial nations will grow by only 2·4 per cent in 1987, with the pace quickening fractionally to 2·6 per cent in 1988. Both figures are below the 3 per cent or more that the Fund traditionally regards as essential to improve the outlook significantly.

Among the seven largest industrial economies only Japan and the US are expected to record growth of 3 per cent or above in 1988.

The Fund says that the policy commitments envisaged in February's Louvre Accord to stabilise the dollar—cuts in the US budget deficit and measures to promote faster domestic growth in Japan and West Germany—should be conducive to a substantial reduction in trade imbalances over the medium term.

But while it emphasises the need for exchange rate stability it holds back from endorsing

the public stance of the Group of Seven Nations that the dollar's value is now "broadly consistent" with economic fundamentals. Instead, the Annual Report says that the current pattern of exchange rates "better reflects" fundamentals.

The difference is thought to reflect the Fund's view that on the basis of present policies in the major industrial countries the huge trade imbalances between the US, Japan and West Germany will not be brought down to a sustainable level without a further dollar depreciation.

Its latest forecasts suggest only a gradual reduction in the US current account deficit and in the parallel surpluses in West Germany and Japan next year. The Fund's medium-term

SUMMARY OF PAYMENTS BALANCES ON CURRENT ACCOUNT 1978-86
(\$m)

	1978	1979	1980	1981	1982	1983	1984	1985	1986
Industrial countries	15.1	-23.2	-60.5	-19.0	-22.4	-19.8	-58.3	-50.7	-19.0
Canada	-1.3	-4.2	-2.1	-2.1	-2.3	-2.7	-0.9	-4.7	-4.7
U.S.	-15.4	-1.0	-1.9	-5.9	-0.7	-46.3	-187.0	-116.4	-141.4
Japan	14.5	-8.2	-16.7	-4.8	6.9	20.8	35.8	49.3	52.3
France	7.0	5.2	-4.2	-4.6	-12.1	-4.7	-0.8	-0.2	3.4
W. Germany	9.0	-6.0	-15.7	-5.2	4.1	4.2	8.4	15.3	35.4
Italy	6.2	5.5	-10.9	-2.1	-6.2	1.6	-2.4	-3.4	4.1
UK	1.9	-1.5	6.8	12.5	6.9	4.8	2.1	4.5	-6.2
Other industrial countries	-5.8	-12.5	-27.6	-19.2	-15.5	-2.7	3.7	1.3	0.5
Developing countries	-35.0	4.4	38.4	-48.5	-87.1	-64.8	-33.0	-23.5	-46.4
By region:									
Africa	-12.8	-3.4	-1.9	-22.4	-21.5	-12.2	-7.3	-0.2	-8.7
Asia	-5.2	-9.3	-14.4	-19.0	-17.4	-14.9	-4.2	-14.0	-5.9
Europe	-7.1	-1.5	-15.6	-14.3	-8.7	-5.2	-3.2	-2.2	-1.7
Middle East	11.3	5.2	9.2	5.0	3.0	-2.0	-1.5	-2.2	-2.3
Western Hemisphere	-19.0	-21.1	-36.2	-42.7	-42.5	-10.8	-2.6	-4.3	-17.5

Source: IMF annual report

projections also point to large imbalances persisting well into the 1990s.

The report says that the use of economic performance indicators by the major industrial nations can have only a limited role in strengthening policy co-operation between governments.

Indicators are said in the annual report to provide a useful analytical framework against which governments can measure the consistency and sustainability of their policies within an international framework.

But the Fund makes it clear that countries such as West Germany, Britain and Japan have succeeded in blocking a US move aimed at giving the indicators the status of semi-automatic "triggers" for policy action.

Despite the very low levels of borrowing and decline in interest rates in 1986, the developing countries' ratios of debt and debt service to exports continued to worsen.

The Fund says that the priority for developing nations must be to strengthen policies aimed at mobilising and retaining domestic savings.

Discrepancy in balance of payments position

THE International Monetary Fund has failed to plug a \$65bn statistical "hole" in its accounts for the world balance of payments position, it admits. But it believes that the discrepancy does not affect significantly its analysis of world trade imbalances.

In theory, the IMF's figures for the world current account position should show a balance, with the sum of all deficits being matched by the sum of all surpluses.

In practice, however, the recorded position has been in deficit for several years. This in turn suggests that the current account position of many countries is much healthier than the present published figures indicate.

According to the Fund's annual report, from approximately balanced in the early 1970s, the global current account displayed an excess of deficits over surpluses amounting to about \$20bn in the late 1970s. That figure widened to a peak of \$100bn in 1982 before gradually declining to an estimated \$65bn.

An international working party set up by the Fund has concluded that the discrepancy is based primarily in the service and transfer elements of current account statistics. Within those sectors the discrepancy is most marked in reporting of portfolio income, shipping data and official transfers income.

The working party has been unable to allocate the discrepancy between countries, but the Fund says that tentative conclusions on its distribution suggest that it would not greatly affect the pattern of current account imbalances between the US, Japan and West Germany.

The IMF is now calling on member countries to take changes in the compilation of balance of payments figures in an attempt to remove the discrepancy.

New attitude signalled on loans for poor nations

EXPLICIT recognition of the need for change in the International Monetary Fund's approach to how it establishes the conditions attached to loans to heavily-indebted Third World countries is contained in the Fund's annual report. The Fund's judgmental contract contrast significantly with the assessment arrived at in its discussion of conditionality in its annual report last year.

Even though developing countries were bitterly criticising its austerity programmes, it maintained in its 1986 report that the main reason its economic policy conditions had worked in some countries but not in others was because of "divergences in the determination with which policies had been implemented"—a conclusion which in essence put most of the blame on the country and its politicians for not trying hard enough.

In this year's annual report the IMF points out that for most low-income developing

countries, a category which would include in particular countries in sub-Saharan Africa, the level of indebtedness is now such that, even if such countries intensify and successfully sustain tough economic adjustment policies, they will require not only substantial sums of money but more lenient on concessional terms, in order to get international finances on to a solid footing.

As part of efforts to address this problem and the challenge posed by the uncertain world economic environment the IMF says there has been "a continuing search for improvement in the application of the Fund's conditionality . . . and in certain theoretical aspects of programme design."

In May, for example there was a review carried out which focused on the issue of the balance between the volume of financing and the degree of economic belt-tightening called for by the IMF, and on the link-

with a growth orientation has also led to increased attention being paid to the impact of monetary, fiscal and exchange rate policies on output and investment.

Behind the Fund's reassessment of the conditions it insists upon in return for its financial support is the recognition that the Third World debt problem in low-income as well as many middle-income developing countries is going to take longer to resolve than was anticipated a year or two ago.

This perception presents a particular problem for the IMF because it is designed as an international monetary institution providing medium-term balance of payments assistance requiring relatively rapid repayment of its loans.

The inability of some of the IMF's borrowers to cope is underscored by the sharp rise in arrears on repayments to the IMF which rose to SDR 482m

in April 1986 compared with SDR 176m a year earlier. The Fund says sight, instead of four countries are now overdue by months or more on their financial obligations "although small in relation to the amount of Fund credit outstanding are large in relation to the Fund's reserves."

Although not spell out in the report the longer-term nature of the debt problem raises questions not only about what sort of conditions it insists upon for its loans, but theoretically even whether it should continue to play an active role in the debt problem.

Since the governments which finance it have decided that it should continue to be active, however, even in low-income developing countries the resolution of whose problems are likely to be more protracted even than for middle-income countries, the question arises how should the IMF take into account the need for longer-term structural improvements in a borrowers' economy when designing its lending conditions.

"Certain key changes are within the Fund's traditional areas of responsibility," the IMF says citing policies to enhance competitiveness by keeping exchange rates at "realistic levels." But others such as trade liberalisation, tax reform, and financial sector reform are less directly related to the Fund's traditional concerns."

In a veiled reference to the touchy relationship with partner in tackling the debt problem, the World Bank, the report says "clearly deeper Fund involvement in these areas will have to take into account the responsibilities of other multilateral lending institutions."

Although the report says that "a strong political commitment to a comprehensive strategy is crucial" for the success of economic reform it adds that its policies must also "pay due regard to members domestic and political objectives."

Reports by
Philip Stephens and
Stewart Fleming



Michel Camdessus, managing director of the IMF

AMERICAN NEWS

MONTREAL CHEMICALS PROTOCOL

Accord reached on ozone protection

BY ROBERT GIBBENS IN MONTREAL

MORE THAN 40 nations have reached a historic agreement to reduce the use of ozone-depleting chemicals by 50 per cent by 1990.

The protocol was hammered out over the past week at a conference in Montreal of 200 international experts sponsored by the United Nations Environment Programme.

Manufacturers claim that using less dangerous chemicals in appliances, plastics and packaging will push up final costs by 15 to 30 per cent.

The agreement must be ratified by at least 11 countries accounting for a minimum of two-thirds of global consumption of the dangerous chemicals.

Officials expect broad ratification by governments especially after objections by the European Community were met. The EC nations wanted to be treated as a bloc in applying the new limits.

It will be the first treaty to control a global air pollutant and could lead to an international protocol to reduce the widespread damage from acid rain, officials said.

The increasing use of industrial chemicals, especially chlorofluorocarbons (CFCs), used in refrigerators, air conditioners and in some plastic products, is, according to some scientific studies, destroying parts of the high altitude ozone layer shielding the earth from the sun's radiation.

Environmental groups from North America and Europe said the agreement was welcome but contained many flaws. Developing nations will be allowed to increase their use of the chemicals to Western levels before being forced to switch to less dangerous materials, they said. Also, application of the agreement in individual countries will be a major problem.

A last-minute hitch at the Montreal conference was resolved when the New Zealand delegation came up with a formula to meet European concerns about how the treaty will be applied. In effect the EEC will be treated as a bloc despite US objections concerning the impact of this on the world chemical industry.

Scientists believe that emissions of CFCs must be cut significantly to prevent what could be catastrophic changes in climate and dramatic increases in skin cancer over the next 50 years.

It would be the first agreement in history which would reduce in a quantifiable manner and on a global scale substances detrimental to the environment, said Mr Wimber Lang, chairman of the convention.

It is the first time the EEC has been asked to take action on ozone depletion. The European Commission staff suggested that the revelations undermined Senator Biden's vaunted reputation: "It is like finding out General Haig never served in the army."

Senator Biden's staff have dismissed the issue as a "tempest in a teapot" arguing that the Delaware politician has attributed speeches regularly in the past and has never made a secret of his admiration for Senator Kennedy.

Instead, his staff have been forced to answer questions about whether his ancestors, like Mr Kinnoch's, really were cosmopolitan. Mr Biden's sides have been unable so far to give a definitive "yes."

The undersigned acted as financial advisor to Régie Nationale des Usines Renault.

LAZARD FRÈRES & CO.
has acquired
American Motors Corporation
including 41.4% of the Common Stock
and certain other securities owned by

The undersigned acted as financial advisor to Régie Nationale des Usines Renault.

Gramm-Rudman deficit target abandoned by White House

BY LIONEL BARBER IN WASHINGTON

THE White House has abandoned the budget-balancing Gramm-Rudman-Hollings law in its efforts to construct a budget package for fiscal 1988, which starts in October next year.

An Administration official said yesterday that the Gramm-Rudman deficit target of \$72bn for 1988 was "impossible" and "totally unrealistic." The omission follows private and Congressional pressure in the 1988 deficit, with some estimates reaching as high as \$100bn.

The Administration built its 1988 budget around a \$105bn Gramm-Rudman deficit target.

The official abandonment of Gramm-Rudman is more a recognition of reality than a major change in fiscal policy because the law's targets have long been considered unachievable. But it could fuel the impression of indecision ahead of next week's Group of

Five nations and Group of Seven nations meeting in Washington.

The US budget deficit which reached a record \$220bn in fiscal 1986 could fall by up to \$60bn this year. But the gloomy outlook and the current budget stalemate in Congress will spur debate at next week's G5 and G7 economic talks.

The budget deficit is an important factor in Allied efforts to co-ordinate their economic policies and encourage exchange rate stability.

Reagan Administration officials have switched tactics in the past week, urging members of Congress to ditch efforts to strengthen Gramm-Rudman provisions for automatic spending cuts to bring down the deficit. The more conciliatory move may herald negotiations with Congress to raise around \$25bn in cuts for fiscal 1988 which begins on the first of next month.

President Reagan is still pledged not to raise taxes, but an Administration official said yesterday that some additional "revenue enhancing measures" may be on the table soon, making a total of around \$10bn. We would prefer to negotiate a package," he said. The new budget activity comes as both Congress and the Administration approach a deadline next Wednesday to raise the federal debt limit. If the ceiling is not raised by October 1, the government faces an unprecedented default on its financial obligations.

Most analysts expect a temporary extension of the debt ceiling as happened at the end of Congress's summer session. But concern over the bond market slump—aggravated in recent weeks—is putting pressure on the Administration to bargain.

Police riot shocks provincial

WORLD TRADE NEWS

Seoul liberalises life insurance market

US EFFORTS to persuade South Korea to open its life insurance market to foreign competition have achieved success after years of lobbying, writes Maggie Ford in Seoul.

In a breakthrough decision, Seoul officials are to remove all restrictions on companies wishing to set up in South Korea, allowing subsidiaries or joint ventures rather than just branches of foreign companies.

New criteria for regulating the industry are to be drawn up by the Ministry of Finance

and, after a six-month approval period for applicants, the market should be fully open.

US officials said that the regulations would need to be studied, but displayed confidence that they would be acceptable. The South Korean insurance market is the 12th largest in the world and Washington has been pressuring for liberalisation of the sector, along with advertising.

While little progress seems to have been made on advertising yet, negotiations over a number of disputes have

been resolved, notably over entry visa permits for their executives trying to investigate the US market. US officials deny that they are deliberately obstructing the businessmen's plans.

Signs that Seoul is making sincere efforts to stick by its pledges to open markets may head off some of the expected US pressure to revalue the won.

Business is working through the effects of the unrest, writes Maggie Ford

Optimism follows S Korean strikes

A FEELING of optimism has emerged in South Korea after a wave of unrest and strikes followed democratic reforms announced at the end of June.

Businesses have started working out ways of minimising the effect of pay rises on exports and profits and the strike at Hyundai Heavy Industries is the only substantial dispute still going on.

A senior executive of a big business group said: "We had no idea that the labour demands would be so strong and all at the same time. We had to learn fast, but we managed. Relationships between management and workers should be better from now on."

Businessmen and officials report that foreign importers have not lost confidence in South Korea as a result of the disputes. "It's a healthy sign," said one British businessman.

"Both sides are trying to have sensible deals quickly and goodwill seems strong."

Footwear manufacturer Reebok, which gets 90 per cent of its supplies from South Korea and suffered some disruption in August, is planning to continue what it describes as an excellent relationship, going elsewhere only when Korean suppliers cannot cope with Reebok's expanding demand.

Trading organisations report some switching of sources of toys, subject to seasonal demand to other centres such as Taiwan, but Taipei officials said last week that the appreciation of the Taiwan currency would probably mean that the business would return to South Korea when the troubles ended.

The turnaround has already come, a pickup in South Korea's startling trade and current account figures. Exports in August were up 18.5 per cent, the lowest rise this year and the trade surplus reached only

\$94m. Motor exports recorded the first deficit, down 28 per cent on the same month last year.

The effect of the disruption may however have been sweet music to Seoul's economic planners. Earlier in the year, in the face of strong US pressure to open markets and appreciate the currency, they planned to restrain the country's current account surplus to around \$54m for the whole year. That was almost reached in the first six months but the summer unrest will make the figures more palatable, especially in Washington.

The South Korean Government has urged companies to absorb the costs of the pay rises awarded to workers, which vary between about 8 per cent and 20 per cent, so as not to damage the country's export strategy. It has offered easier terms on the repayment of government-backed loans to companies having difficulty and is facing a demand that the government abolish compulsory "donations" for government projects.

Companies claim that wage rises up to 4 per cent could be funded by the donations, which are demanded above normal taxes. The government has turned down pleas for a reduction in bank interest rates.

Of South Korea's top export earning industries, electronics and textiles have come out the best from the disputes with little time lost from strikes or parts shortages. Analysts believe this is partly because many women workers in the sector have been less militant.

Daewoo Motor, a joint venture with General Motors of the US, is working normally but is not negotiating with its workers. The plant was closed for 30 days and lost 18,000 cars. Kia Motor, in which Ford has a stake, settled speedily but suffered about five days closure

because of parts shortages.

Analysts believe the worst effects will be in shipbuilding, which was already under strain. Daewoo, where losses last year amounted to \$100m (£32m), already had a poor order book and the increase in labour costs will not help. At Hyundai workers have been on strike for most of the past month, although they were working a month ahead of schedule, according to the company. Observers think that government intervention will probably be necessary to solve this dispute.

Companies claim that a big problem at these two companies has been the failure to devolve negotiating power to the management of the subsidiaries.

Apart from an early strike at the heavy industry subsidiary, which was quickly settled, the Samsung Group has suffered no disruption. It is believed to have met workers demands but analysts suspect the group may suffer difficulties later over the issue of independent unions.



South Korean strikers: "So strong and all at the same time."

Canadians pessimistic over chances of US free trade deal

BY ROBERT GIBBENS IN MONTREAL

CANADIAN Prime Minister Mr Brian Mulroney and the ten provincial premiers are warning that the chances of a Canada-US free trade deal are fast evaporating.

Mr Mulroney said that many "important stumbling blocks remained" in the protracted negotiations towards an agreement.

A broad outline has to be reached by October 5 under a US congressional timetable. Mr David Peterson, the Ontario Premier, fresh from a landslide victory for his Liberals in the September 10 provincial election, said if a deal is made, "it won't be as big" as originally envisaged.

Other provincial premiers expressed doubts, with Mr Robert Bourassa, the Quebec Premier, the most optimistic.

Ontario's fears of a free trade

deal have been fanned by Washington's demand to include the Canada-US auto pact in the trade negotiations.

This agreement, made in 1985, rationalised the North American car industry while providing safeguards against any temptation for the US manufacturers to move their existing Canadian plants south.

The Canadian car industry is 90 per cent concentrated in Ontario and the provinces have gained enormously from the auto pact and the lower Canadian dollar. It fears that any concessions made by Canada in the face of mounting US political pressure would lead to large job losses.

While the auto pact has become an emotional issue on both sides of the border, especially in the US, where assembly plants are being

Japanese bearing makers lift US prices

By Stefan Wagstyl in Tokyo

JAPANESE tapered roller bearing manufacturers are raising prices in the US following a successful anti-dumping action brought by their biggest US competitor.

The US Government's International Trade Commission this week confirmed a decision by the Commerce Department earlier this year that Japanese companies were selling larger roller bearings at less than fair value.

The ITC's decision means that increased dumping margins will be imposed on the Japanese. It is understood to be the first time that the ITC has approved a Commerce Department decision to penalise importing companies for failing to raise prices of bearings in response to the decline of the US dollar.

Koyo Seiko, one of the largest Japanese bearing manufacturers, said yesterday: "This is a warning to all Japanese companies."

But it added that it had not been able to raise prices in the US because Timken, the dominant US producer, had not increased them either. Timken, with 75 per cent of the market in large tapered bearings (that is, those more than 4in long), had a virtual monopoly, Koyo Seiko said.

Koyo Seiko and NTN Toyo Bearing, another important producer, both said yesterday they had already taken steps to increase prices following the US Commerce Department's preliminary decision.

Japan's exports of roller bearings in the US last year totalled over Y13bn. Koyo Seiko said the damage to sales would be small because 4-inch-plus tapered roller bearings accounted for only about 10 per cent of its US exports.

Call to liberalise air-sea transport

CARTELS in air transport and shipping should be subjected to the rules of the General Agreement on Tariffs and Trade, according to the Foreign Trade Association, which represents European retailers, writes William Duliforce in Geneva.

For Israel, the main attraction is that after disappointment over the cancellation of two other ambitious national projects—the Lavi combat aircraft and a proposed canal from the Dead Sea to the Mediterranean—the railway would provide a new focus for pride and energy.

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N 22/87

TECHNOLOGY

The office outcast is brought in from the cold

Jane Rippeteau explains how the humble photocopier is finding a new lease of life with the help of an add-on extra or two

THE PLAIN paper photocopier, after the initial excitement of its debut in the 1970s, has always been something of an office pariah. People were annoyed by its chronic paper jams and bad copy quality. And as the electronic office took off all around it, the copier was invariably stuck off on its own.

Now that is changing. Suddenly, the photocopier is metamorphosing into a piece of the integrated electronic office.

By adding a laser here, a digital scanner there, perhaps facsimile capability, too, manufacturers are re-engineering the copier into a multi-purpose machine that can hook up to desktop computers, receive and convert computer information into hard copies and, although still very expensive, convert hard copies of typed text into digital data and ship it back into the computer.

"These capabilities are bringing copying into the digital electronic world," says Charles A. Pesko, Jr., president of CAF International, a US market research company that follows the office equipment market. "You can process, store, transmit, or call up and edit information," he adds. "These are major changes for the traditional copier business."

No one expects the copier in its present form to disappear. Demand for stand-alone machines that simply reproduce hard copies is still growing, although the rate of growth of 20 to 30 per cent annually is around 1 per cent today.

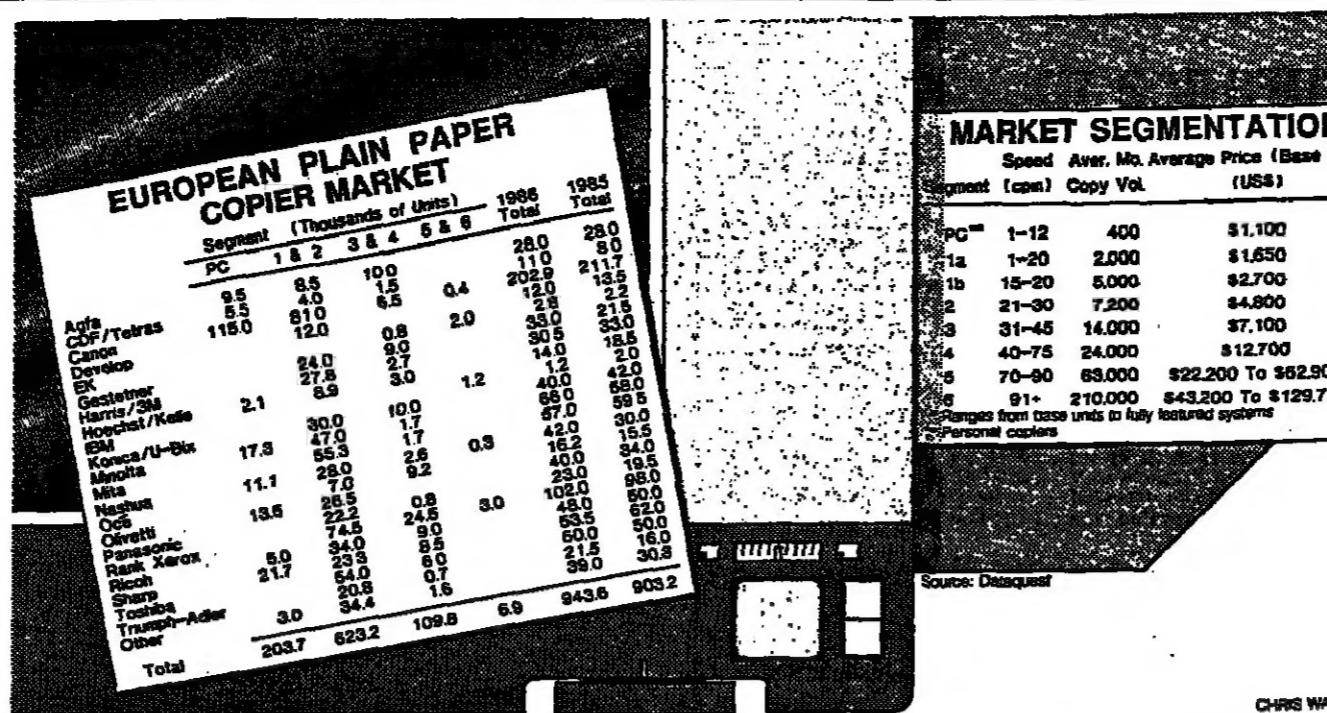
Still, in sales, service, rentals and supplies, the plain paper photocopier business is huge; it will amount to some \$35bn worldwide this year, edging up to

Re-engineered, the copier is thrusting into the digital electronics world

good, and placements usually involve lucrative service contracts.

Also, the new market for full-colour copiers is expected to take off sharply, particularly as businesses become accustomed to having colour graphics in reports generated by their personal computers, and colour in computer-aided design and manufacturing systems. Copier makers reason that, with colour originals, business users will demand high-quality, full-colour reproduction.

"There is a huge potential for colour," says Mike Mansell, manager for Copy Products at Kodak Ltd., which accounts for about one-third of Kodak's European copier business. Colour copiers on the market now are slow and expensive: the latest offering from Canon, competitively priced at £17,000, makes



only five copies a minute. Kodak has said it will soon unveil a machine harnessing its traditional colour expertise in a "high-speed, top-end duplicator."

But the development costs of getting into such markets are high, and in the bulk of the copier business margins are squeezed tight as producers compete neck-and-neck for sales.

Thus they are also working on capitalising on existing copier technology by incorporating it in new formats integrated with other electronic office equipment. Packaged somewhat differently, the technological内幕 of a copier - that is, the basic reprographic "engine" - can be put to uses for which demand is healthy indeed - laser printers.

A copier works by reflecting an image onto a reprographic unit - in most cases, a selenium drum, the heart of the xerographic process invented by Xerox. If the light lens system used to project the image is replaced by devices that can "read" digital information and "write" it onto the drum - such as lasers or light-emitting diodes - then the same copying mechanism can be used as a printer. Also, the two machines can use the same paper transport mechanisms.

This market has already taken off in the US. North American sales of page printers - mostly of laser printers - amounted for over 60 per cent of \$2.2bn in world sales for 1986, according to Dataquest. The research company estimates the business will reach \$3.6bn by 1991.

"This is a huge and very, very attractive market," says E. Alex Henderson, a market analyst at

Prudential Bache Securities in New York. For copier makers, he says, "the issue is how fast you can expand into the laser printer market."

Nearly every copier maker has introduced at least one laser printer, and some have several models. Canon, the world's top copier maker by number of units sold, is one of them. And its new alliance with Olivetti to produce Canon copiers in Italy is aimed at meeting a laser printer line for next year.

Manufacturers like Ricoh, Sharp, and others are sure demand for laser printers will increase with office workers' desire for better quality copies.

Says Henk Boot, chairman of Oce van der Grinten, in Velen, the Netherlands: "In the electronic office revolution, the emphasis has been on electronic text editing and graphics. This improves the productivity of the writer or creator of documents. We have neglected the productivity of the receiver. With the amount of work that goes into a report, you

required for different jobs. Do you de up that engine to make copies or set it up to do printing?"

Others are sure demand for laser printers will increase with office workers' desire for better quality copies.

Says Henk Boot, chairman of Oce van der Grinten, in Velen, the Netherlands: "In the electronic office revolution, the emphasis has been on electronic text editing and graphics. This improves the productivity of the writer or creator of documents. We have neglected the productivity of the receiver. With the amount of work that goes into a report, you

want a quality output." By making a copy "clearer to read and easier to understand," he adds, "a laser printer can enhance the productivity of the receiver."

A maker of high-end copiers primarily for European markets, Oce recently developed its own laser printer for Europe, and plans a US launch in 1989.

Other manufacturers have already taken the technology a step further. With the ability to feed computer information through printers into hard copy, demand grows for the ability to do the opposite, to send a machine a piece of paper with text or an image, have it digitised and fed back into the computer.

Image scanners do just that. At The Desktop Publishing Centre, a London company, graphic artist Guy Jackson, demonstrates a \$12,000 device that can read and digitise an image on

paper and reproduce it on a computer screen, where limited editing can be done on the image as though it were a piece of art. Similar desktop publishing systems teaming workstations, laser printers and scanners are available from Kodak and others.

More expensive machines can read and digitise text for electronic editing, using a technology called intelligent character recognition. Xerox Corp.'s Kurzweil Computer Products group's Intelligent Scanning System uses optical scanning and artificial intelligence software to read text and data, then digitise it into electronic form either for feeding into a computer file or typesetter for reproduction as a hard copy, according to the company.

In advanced research, engineers are also using artificial intelligence technology (the ability of machines to make human-like judgments) to build a limited number of very expensive machines able to read handwriting and convert it into electronic text. The next leap expected is the adding of facsimile capabilities to PC-based systems so that text and data sent over telephone lines can be received, filed electronically or printed or scanned and sent back.

The new systems involve "not so much the copier as the technology in the copier - the print engine and the paper handling mechanism," says Henderson. "It is a device for making marks on paper. All of these areas are coming into the document handling environment. There are very few times when as much technology comes together to create so much value for the end user."

Video news put in the picture

A SYSTEM that allows easy identification of incoming video signals from external news and other sources is to be marketed throughout the world by UK company Seitech International (06285 29131).

Initially developed by Independent Television News (ITN), the system is called Rosie, an abbreviation of "remote source identification equipment." It has a similarity to teletext in that the unused TV scanning lines at the top of the picture are used to carry data which can be decoded by suitable electronics in the TV set, or monitor, and displayed as alternative to the picture, or overlaid on the picture.

With Rosie, a digitally coded 'label' of up to 16 text characters is generated by a hand-held encoder with a robust key-pad. The resulting data is inserted in 10 normally invisible lines of the signal and is sent along with the picture to the video newsroom.

In teletext the data would not be readable by humans, even if the lines were visible on screen. But with Rosie, Seitech arranges the data so that, with the monitor adjusted to make the lines visible at the top, the label can be read. Alternatively, a decoder will process the data into characters that can be displayed on the picture area itself.

To guard against wrong labels being sent, the encoder provides two visual outputs, one for transmission and one for local pre-view. This allows the studio operator to compile a label or message in rehearsal mode before attaching it to the transmitted picture.

CIM played by the book

A USEFUL collection of information sources about computer-integrated manufacturing (CIM) has been compiled by the Institution of Mechanical Engineers in the UK. The publication is timely in view of the growing interest in CIM and the quantity and variety of information which has been generated on the subject over the last few years.

The book, published CIM in the application of the various computer-aided systems that have grown piecemeal on the shop floor and within factory offices. These systems range from computer-aided design and engineering at the product concept stage, right through to robotics and other production-line equipment at the "sharp" end.

The ultimate implementation of CIM is the factory under total computer control.

Financial Times Thursday September 17 1987

DO YOU LOSE MONEY IF YOUR COMPUTER FAILS?

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This so far has been approached only in companies like General Motors. But many companies have been looking at connecting two or more functions together, for example, design and test in the electronics industry.

The \$9 page book from the LMech.E (in London on 222 7599) covers acronyms, standards, conferences proceedings available, consultancies, directories, finance sources, market research reports, reference books and the work in progress at UK universities and polytechnics. It costs £12.50.

Teaching machines a thing or two

SIEMENS, the German electrical group, is to co-operate with the Massachusetts Institute of Technology (MIT) of the

WORTH WATCHING

Edited by Geoffrey Charlish

US in long-term research into machine learning.

About one third of the \$16m budget earmarked by Siemens for such activity will be spent at MIT during the next five years.

The focus of the work will be methods and systems that can progressively acquire new knowledge through interaction with their environment, rather than through pre-programming.

Potential applications span nearly all computer uses and include the recognition and processing of images, sounds, text and speech.

CHIEF ACCOUNTANT

Wessex c. £25,000 plus car + benefits

Our client is an award winning independent brewery with turnover of around £30m. As a result of the growth and diversification of the business, there is a need to recruit a chief accountant to initially undertake a total review of the accounting and management information systems and implement changes in order to provide improved management information throughout all areas.

Reporting to the joint managing director, the individual will then take full responsibility for the finance function including budgeting, planning, taxation, management and statutory accounting as well as becoming a member of the executive management committee of the company.

Applicants should be qualified accountants aged around 35 with experience of implementing modern computerised systems and the ability to work autonomously and with initiative. An essential requirement is the ability to influence and direct areas outside the financial function and to manage change effectively. In addition the successful candidate will have had line accounting and staff management experience.

The remuneration package includes a basic salary and car plus participation in an employee share and executive bonus scheme and a non-contributory pension. A relocation package is available if appropriate.

Please send brief career details, quoting reference F/028/A, to Carrie Andrews.

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Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Group Accountant

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Our client is Smithdown Group Limited, a highly successful and ambitious group of companies within the construction/property development industry currently seeking to recruit an Accountant to take responsibility for all its accounting activities.

Reporting directly to the Managing Director the successful candidate will need to develop a Group finance function taking responsibility for:

- Ensuring the timely provision of accurate financial and management information to the Board.
- Interpreting, reporting and acting upon the implications of this information.
- Co-ordinating the development of management accounting systems.
- Effecting efficient cash accounting procedures.
- Making a significant contribution to the strategic direction of the Group.

Candidates who will be Chartered Accountants aged 26 - 35 should complement their technical expertise with highly developed personal skills including initiative, flair, pragmatism and adaptability allied to a broad business acumen.

The person recruited must be capable of realising Director status in the medium term. Please write with full personal and career details including current salary package, quoting reference PS/307 to Paul Bailey, Spicer and Pegler, Personnel Services, Derby House, 12 Booth Street, Manchester, M60 2ED.

Spicer and Pegler
Personnel Services

City Accountants Management Consultancy

KPMG Peat Marwick McLintock

London Based

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Alternatively, write, enclosing a C.V., quoting reference: J10107.

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London EC2Y 5ET
Telephone: 01-356 5611
(FAX: 01-374 0959)

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Peat Marwick McLintock is the UK's largest accounting and management consulting firm, with an international reputation for solving business and technical problems for financial institutions. We aim to maintain our impressive growth record in assisting clients to capitalise on the rapid developments in City markets. We are looking for accountants with various levels of experience of financial and management accounting and of systems development in the following areas:

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- SECURITIES: including stockbroking and capital markets
- FUNDS MANAGEMENT
- INTERNATIONAL BANKING

COURTAULDS

Group Management Accounting

London W1

Courtaulds, the textiles, chemicals and industrial products group, is increasingly gaining recognition as one of the success stories of British manufacturing.

Profits have grown at an annual average rate of 32% over the past five years and intensive investment and acquisition efforts are aimed at continuing that success into the 1990s and beyond.

The group finance function works closely with the main board monitoring the performance of businesses. As part of this team a qualified accountant is required to provide stability and continuity to the department.

The key tasks include the provision of regular reports to directors, the co-ordination of budgets and forecasts and helping with the development of computerised systems.

The salary and benefits, including a company car, are negotiable and on a par with Central London posts for other major international groups.

Please write enclosing a career/salary history and daytime telephone number, to John P. Sleath FCA quoting reference J1646/CF.

Lloyd Management</

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AUSTRALIAN GOLD MINING

John McIlwraith reports on a rising Australian entrepreneur
Paving the way for a golden future

ALTHOUGH Robert James Champion de Crespigny hardly fits the stereotype of the brash, aggressive Australian entrepreneur, more at home with a Foster's in his hand than a Bollinger, he is among the more successful recent gold promoters. A company he formed two years ago with A\$500,000 now has a market capitalisation of about A\$20m (US\$14.5m).

Such is the overheated nature of the Australian gold market that a recent announcement by the company, Normandy Resources (the name is a tribute to his family's origins), would raise A\$11.5m, attract little notice.

Mr de Crespigny, who has the personal and corporate style of a saturnine Robert Holmes à Court, is engaged in a struggle with Alan Bond for control of a large part of the Golden Mile — in a short time as a gold tycoon, he has learnt not to be overawed by reputations.

Apart from aristocratic European family names, Mr de Crespigny shares with Mr Holmes à Court a cool detachment in his investment philosophy, a shrewd, self-assured, courteous manner and above all an ability to increase the value of his companies rapidly.

When Normandy was launched in 1985, its market capitalisation stood at less than A\$4m and its share price at 14 cents.

Recently, the shares have hovered at about A\$4.40, and Mr de Crespigny controls the company, with a shareholding of 30 per cent.

However, Mr de Crespigny is not carried away by success.

He says: "We have not really achieved much yet, but we feel we have established a solid base on which to launch companies which will be good performers over the long term. We are not interested in the high and low of the traditional gold market."

He insists that he is not necessarily bullish about gold in the longer term. "I have no idea where the gold price is going to go, but seek instead to invest in companies which have the lowest possible production costs, in preparation for what he sees as the eventual fall in gold prices."

He sees gold's success in the past two years as a solid base from which to diversify into areas ranging from other metals to a counter-cyclical investment in oil exploration.

Mr de Crespigny stresses: "Maximising the benefit to



Robert de Crespigny, gold detective

shareholders is our prime duty, and we are hoping to prove this with results in the next year or two."

Normandy declared a maiden dividend of 4 cents per share in its first full year of operations, ended December, based on profits of about A\$1.4m.

Based on the strong performance of the Carter More gold mines — the group's main source of cash flow, held through Bramstock — analysts expect the dividend to be double that figure in the current year, on profits of between A\$10m and A\$12m.

Part of the group's conservative policy toward shareholders involves making regular rights issues — there have been three so far, at prices below current values. This courtesy has been noted by investors.

The imminent capital-raising exercise will follow the same pattern, with a three-for-five rights issue at A\$3 and a placement of 4.5m shares at A\$4.

Mr de Crespigny's policy towards acquisitions — the most significant recent example was his capture of Poseidon, the old survivors of Australian mining booms — is accomplished with the agreement of the leading shareholders.

The Poseidon acquisition became intriguing when North Kalgoorlie, Mr Bond's family-controlled company, secured control of Gold Mines of Kalgoorlie (GMK) earlier this year.

As a result, Poseidon and GMK have equal interests in Kalgoorlie Mining Associates (KMA). Poseidon and GMK each have 50 per cent of KMA's Lake View, which in turn owns 52 per cent of KMA.

Contrary to the general view, Mr Bond's acquisition does not amount to management control of GMK.

If the proposal proves acceptable it would produce gold at great depth, and with a yield of only 2 grammes per tonne.

Yet with vast economies of scale available there would be room for big profits at current metal prices.

Such a venture would lift

KMA's gold production to more than 500,000 ounces a year — roughly 16 tonnes — and the equivalent of Australia's total gold production a few years ago.

No figures have been released to show how much the project

going to cost, but mining experts

watching in some awe from the

sidelines suggest the figure

could be between A\$150m and

A\$180m.

Normandy Resources sur-

passed the market when it gained control of Poseidon a few months ago, buying about 20 per cent of the company for nearly A\$80m. Only this week Poseidon's management was reshuffled, its board reduced in size and Mr de Crespigny designated managing director.

Posideon promises to be an exciting prospect for Normandy, as the value of its holding could be greatly enhanced by a recent proposal to establish what would be Australia's biggest open-cut gold mine at Kalgoorlie.

Mr de Crespigny's reserve and his almost puritanical approach to what he describes as "a bookkeeper's way of investing in resources" set him apart from many of the stock promoters who have made the Western Australian gold scene so colourful in the past five years.

However, he can afford to believe his slightly ascetic approach is not necessarily wrong.

For example, he takes pains to point out that after the latest fund-raising, his company will be debt-free and have A\$80m available for investment.

Mr de Crespigny seems to be

unconscious of any parallels

with the man who has made the Bell group a success in recent years.

It will be interesting to see whether a second exception to the flamboyant Australian style in entrepreneurs continues to flourish if gold's fortunes decline.

By JOHN MCILWRAITH

NEW ISSUE

This announcement appears as a matter of record only.

September, 1987

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U.S.\$60,000,000

3 1/4 per cent. Guaranteed Bonds 1992

with

Warrants

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The Industrial Bank of Japan, Limited

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Banque Indopac

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Dai-Ichi Europe Limited

Fuji International Finance Limited

KOKUSAI Europe Limited

Lombard Odier International Underwriters S.A.

Merrill Lynch Capital Markets

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DAVID RENNER PHOTOGRAPH BY DAVID RENNER

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TEAPE

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NEW ISSUE

16th September, 1987



NISSINBO INDUSTRIES, INC.

(Nissinboseki Kabushiki Kaisha)

U.S.\$150,000,000

3 1/4 per cent. Bonds 1992

with

Warrants

to subscribe for shares of common stock of

Nissinbo Industries, Inc.

Issue Price 100 per cent.

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Credit Suisse First Boston Limited

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Bankers Trust International Limited

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DG Bank Deutsche Genossenschaftsbank

Robert Fleming & Co. Limited

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The Nikko Securities Co., (Europe) Ltd.

DKB International Limited

Banque Paribas Capital Markets Limited

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Kleinwort Benson Limited

Mitsubishi Finance International Limited

J. P. Morgan Securities Asia Ltd.

Salomon Brothers International Limited

Tokyo Securities Co. (Europe) Ltd.

Yamazaki International (Europe) Limited

Sir George Jefferson has been appointed chairman of MATTHEW HALL from October 1 upon the retirement of Mr. M. Donald Curran, who has been chairman since 1982. Sir George joined Matthew Hall as a non-executive director on July 1. He was chairman of British Telecom from 1981 to 1987. Sir George is also a director of Lloyds Bank.

Mr. J. H. D. Bridges has been appointed a director of BOLTON INGHAM (AGENCY).

MONEX has appointed Mr. N. Brooks and Mr. P. J. Koskenrin as directors and Mr. P. Scivener as manager.

Ms Claire Davies and Ms Gerald Eva have been appointed joint managing directors of PORTON ADVERTISING.

Mr. Alastair Kerr has been appointed chief executive of MOTHERCARE EUROPE, and Mr. Steve Dallas becomes finance director. Mr. Kerr was director of store operations, and Mr. Dallas was European accountant. Mr. David Thompson has been appointed finance director of Mothercare UK, and Mr. David Evans becomes computer systems director.

GREENE BELFIELD-SMITH has appointed Mr. Russell Kett as project director in the hotel consultancy division. He was with Horwath & Horwath.

Mr. Neil Macdonald has been appointed regional director, Scotland, of SANDERS AND

SIDNEY. He was marketing director of the Scottish Development Agency.

The Earl of Harvey will be retiring from the board of NATIONAL WESTMINSTER BANK on December 31. He has been a deputy chairman since 1971. Lord Harvey will continue as a non-executive director.

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SIR Peter Walters, a deputy chairman of NatWest, has been appointed deputy chairman of the bank from January 1 1988; he has been a NatWest director since 1981. Sir Peter has been chairman of British Petroleum since 1981. He is president of the Institute of Directors.

CALA has appointed Mr. Alan W. Downie as managing director for the group's three Scottish housing subsidiaries: CALA

Homes, Lothian, Aberdeen, and Strathclyde. Mr. Downie, who joins the group from Wimpey Homes Holdings, replaces Mr. Steve Besier, who is to be managing director of a new company, CALA Homes, which will act as a holding company for all the group's housebuilding interests. Mr. Tony Kelley, at present chairman of CALA's operations in the south, will be chairman of the new company.

THE HUNTING GATE GROUP has appointed two main board directors: Mr. Jonathan Walters, managing director of Hunting Gate Developments, a major subsidiary which specializes in commercial property; and Mr. Ken Price, managing director of Hunting Gate homes.

GRANADA GROUP has appointed Mr. Peter Davis as non-executive director. He is chief executive of Reed International. Reed International is a shareholder in ESR, the direct broadcasting satellite consortium of which Granada is a founder shareholder.

ICS PUBLISHING CO has appointed Mr. John Durbin as financial controller. He was with ITT in Brussels.

AIR UK has appointed Captain Alan Cottle to succeed Captain David Henry as operations director. On December 1 Captain Cottle will be Royal Air Force captain where he is flight technical captain. Captain Henry was recently appointed chief pilot and a director of AIR UK.



Sir George Jefferson

(Leisure), a new charter airline being formed, at Stansted Airport.

Mr. Tony Leyland, managing director of Sellar Morris Developments UK operations, has been appointed a director of MARTIN FORD following its acquisition of SMD.

HEATH FIELDING LTD, a C. E. Heath subsidiary, has appointed Mr. Richard Lay as managing director. Mr. Peter Cowell, Mr. Mark Jones and Mr. Christopher Bennett have been appointed assistant directors.

Mr. A. S. Durward, chief general manager and director of Building Society, and Mr. J. K. Oates, financial director of Marks & Spencer, have been appointed non-executive directors on the main board of JOHN LAING.

CONTRACTS

Irish company wins big software order

An Irish company's success in winning what is believed to be Europe's largest ever software contract—worth \$15m signed with NEC Australia—will be the springboard for a major new Unix joint venture in the UK.

The company is SOFTWARE LABORATORIES of Bray, Co. Wicklow, which will supply its newly developed UNIGEM graphical software to NEC Information Systems Pty of Sydney for distribution throughout Australia and New Zealand.

Software Laboratories is a specialist Unix software house which was set up in 1981 by a consortium of European and US investors. The company employs 50 people and is currently embarking on a major expansion in which the next stage is

a significant joint venture project in the UK for which it is now actively seeking a UK partner with marketing and development resources.

UNIGEM (Unit General Environmental Manager), designed at a cost of \$1m has a "open" architecture built around a central core of powerful workstations and its flexibility allows for ease of application to an individual user's specific needs.

Integrating with the leading Unix packages currently available and with leading networking systems, it runs on a wide range of Unix and non-Unix computers, mainframes, minis and multi-use micros with equal ease.

UNIGEM is available in English, French, German and

Hebrew with further language translations in progress. It currently meets the accounting requirements of over a dozen countries.

KERRY HANDLING has been awarded a contract worth \$270,000 by French Bakeries of Leicester to automate its bread roll production lines. The plant is designed to handle some 22,000 rolls an hour completely automatically with only supervisory staff.

In a contract worth more than £2m, British Gas Southern has chosen BRITISH TELECOM to re-equip its trunk communications network. The order is for one of the largest private networks supplied by British Tele-

com and the first time that a completely ready-to-switch-on system has been provided entirely by British Telecom staff. It will enable British Gas Southern to concentrate most internal telephone, mobile radio calls and data communications over a single integrated digital system.

The system will also carry information about pressure and flow in the region's gas grid. Being digital, the new system will enable new kinds of information technology equipment to be connected when required. The backbone of the network comprises a total of 21 microwave radio links, operating at 1.8, 7.5 and 13 GHz. Work will be completed by March 1989, when it will replace the existing analogue equipment.

A FINANCIAL TIMES SURVEY
The Financial Times proposes to publish a Survey on

THE CHANNEL TUNNEL

October 5 1987

The following subjects will be covered:

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- ★ Ertanetel, The Company
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- ★ Regional Impact
- ★ The Traveller
- ★ Cross Channel Trade

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Penny Scott
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or your usual Financial Times representative

The content, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor



Daewoo Heavy Industries Ltd.
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US\$40,000,000

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NOTICE OF CONVERSION PRICE ADJUSTMENT

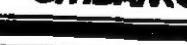
Notice is hereby given to the holders of 3 per cent. Convertible bonds 2001 of Daewoo Heavy Industries Ltd. that in accordance with the terms of the trust deed dated 23rd May, 1986, the conversion price was decreased from Korean Won 19,190 to Korean Won 14,792 per share effective 22nd August, 1987. This adjustment had resulted from the issuing of new shares, on which the details were published in "Financial Times" dated 6th August, 1987.

Daewoo Heavy Industries Ltd.

DnC
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U.S. \$150,000,000

Floating Rate Capital Notes due March 1991

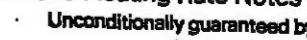
In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from September 17, 1987 to March 17, 1988 the Notes will carry an Interest Rate of 8-125% p.a. and the Coupon Amount per U.S.\$10,000 nominal of the Notes will be U.S.\$10.76 and per U.S.\$250,000 nominal of the Notes will be U.S.\$10,269.00.

September 17, 1987, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

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(Incorporated with limited liability in the Kingdom of Thailand)

Notice is hereby given that the interest payable on the relevant Interest Payment Date, October 14, 1987 for the period April 14, 1987 to October 14, 1988 against Coupon No. 5 in respect of US\$10,000 nominal of the Notes will be US\$374.15.

September 17, 1987, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

NOTICE OF REDEMPTION

US\$62,500,000

(Originally US\$100,000,000)

British Airways Plc

(Previously British Airways Board)

Guaranteed Floating/Fixed Rate Notes due 1991

NOTICE IS HEREBY GIVEN that in accordance with Clause 8(2) (in the case of the Floating Rate Notes) and Clause 7(2) (in the case of the Fixed Rate Notes) of the above mentioned issues, the entire principal amount outstanding of the above mentioned issues will be redeemed 16th November 1987 at a redemption price of 100%.

On 16th November 1987 the Notes will become due and payable at the redemption price upon presentation and surrender at the offices of the Paying Agent.

On 16th November 1987 interest on the Notes will cease to accrue.

Coupons due 16th November 1987 should be detached and presented in the usual fashion.

A deduction will be made from the redemption proceeds in respect of any Notes which are presented with unmailed coupons missing.

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KRAFT, INC., GUARANTOR

Warrants to Purchase Shares of

Common Stock of Minnesota Mining and Manufacturing Company

Exercisable on or before

November 30, 1988

NOTICE IS HEREBY GIVEN that the initial number of shares of Common Stock of Minnesota Mining and Manufacturing Company deliverable upon exercise of the Warrants has been adjusted to 20,111 shares effective on May 22, 1987 by virtue of the two-for-one split of Common Stock of Minnesota Mining and Manufacturing Company.

September 17, 1987, London
By: Kraft, Inc.

KRAFT, INC.

September 8, 1987

ARRIVE IN NORTH AMERICA IN STATE. THE SAME DAY.

Whatever state you're headed for in North America, Sabena will get you there comfortably the same day.

UK NEWS

Plan for £400m Edinburgh Forth facelift

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

A PROJECT to transform Edinburgh's Firth of Forth waterfront was announced yesterday. It might cost £400m and would create housing, office space and leisure facilities. Edinburgh Maritime, a joint venture by Forth Ports Authority and GA Group, a Glasgow-based construction and development company, today submits an outline planning application for it to Edinburgh district council.

The scheme would create a high-quality waterfront in an area much of which is unexploited and shabby, and help meet the Scottish capital's need for office space as it develops as a financial centre.

It involves filling in Wardie Bay, a shallow-water area between Leith Docks and Granton Harbour, both of which jut into the firth. The reclaimed area would be filled by sand dredged from the firth.

It would be used for housing, a business park providing 1m sq ft of office and high-technology plant space, a 250,000-sq ft shopping centre, a leisure complex and a hotel and conference centre.

The scheme would cover 350 acres. It would involve filling in much of little-used Granton harbour and creating a yacht marina. There would be improvements to storage and handling facilities at Leith Docks.

Yesterday Mr Bill Thomson, chairman of Edinburgh Maritime and of Forth Ports Author-

ity, said the project was at an early stage. No potential developers or tenants had been approached.

The Scottish Development Agency, involved in reviving the town of Leith, immediately welcomed the proposals. The agency would offer the project any contribution it could.

Mr Thomson hoped the project would receive public-sector aid, possibly from the agency, for the first stage: infilling and other infrastructure costing about £50m.

He expected that, once it was clear the infrastructure was being put in place, developers would become interested in different parts of the project. The ports authority might invest in the project but its main contribution was the land and seabed.

It involves filling in Wardie Bay, a shallow-water area between Leith Docks and Granton Harbour, both of which jut into the firth. The reclaimed area would be filled by sand dredged from the firth.

It would be used for housing, a business park providing 1m sq ft of office and high-technology plant space, a 250,000-sq ft shopping centre, a leisure complex and a hotel and conference centre.

The scheme would cover 350 acres. It would involve filling in much of little-used Granton harbour and creating a yacht marina. There would be improvements to storage and handling facilities at Leith Docks.

Yesterday Mr Bill Thomson, chairman of Edinburgh Maritime and of Forth Ports Author-

Air UK sets up lease deal for two BAe 146 airliners

BY LYNTON MCLEAN

AIR UK, a subsidiary of British & Commonwealth Holdings, is to acquire two British Aerospace 146 four-engine airliners, worth £25m.

The 100-seat aircraft are to be bought by British & Commonwealth, which will lease them to Air UK. The airline is owned 65 per cent by British & Commonwealth Holdings and 14.9 per cent by KLM, the Dutch airline.

The first BAe 146-200 airliner will be delivered to Air UK at the end of November for service between Heathrow and Guernsey.

British Aerospace said it was

not unusual for it to be able to offer customers aircraft at short notice, because the company builds some aircraft on a speculative basis.

The second aircraft, which will take over the service between Aberdeen, Edinburgh and Amsterdam, will probably be delivered in the spring. But negotiations have yet to be completed on either purchase.

Air UK has also not made a decision on the airliners' maintenance. It is negotiating with British Aerospace and Dan-Air, the only other UK airline to operate the BAe 146, about contracting one of the companies to maintain the Air UK 146 fleet.

Company Notices

ANNOUNCEMENT

As a courtesy to:

THE PEOPLE'S REPUBLIC OF CHINA
and

THE SHANGHAI MUNICIPAL PEOPLE'S GOVERNMENT

It is hereby published that:

SHANGHAI MUNICIPAL CONSTRUCTION ENGINEERING COMPANY

SMECOC, wholly owned by

SHANGHAI MUNICIPAL ENGINEERING DESIGN INSTITUTE (SMEDES), of

Shanghai, China

and

L Krüger A/S (KRÜGER), of Copenhagen, Denmark

have jointly established:

SHANGHAI SIMEKRU MUNICIPAL ENGINEERING COMPANY LIMITED

(SIMEKRU)

Approved and registered in accordance with "the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment" - a similar event.

The SCOPE OF ACTIVITIES of SIMEKRU covers all services in connection with municipal engineering projects, such as water supply, domestic and industrial waste water treatment, night soil treatment, solid waste treatment, gas systems, hydraulic engineering, district heating, as well as general engineering and architectural design.

The Board of SIMEKRU can decide that also projects in the field of infrastructure (such as roads, bridges, tunnels, town planning, housing schemes and also irrigation) as well as energy projects (such as thermal and nuclear power stations) can be undertaken.

The AREA FOR THE ACTIVITIES covered by SIMEKRU is China and abroad.

Copenhagen, this day of September 3rd, 1987.

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Guaranteed Notes due 1991

with Warrants

Notice is hereby given in accordance with Condition 11 of the Notes and Condition 11 of the Warrants of the appointment of a disbursement agent, in respect of the above Notes with Warrants in place of the Fuji Bank, Limited at its London office as Principal Paying Agent. The appointment takes effect from 1st August, 1987. The Fuji Bank, Limited at its London office will continue to act as a sub-disbursement agent and warrant agent. The specified office of the Disbursement Agent is at:

The Fuji Bank and

The Company,

New York, N.Y. 10045

Telex No: FUJER 425777

Attention: Trust Department

Payments of principal and

interest will not be performed at the office of the disbursement agent.

YAMAHA MOTOR CO., LTD.

17th September, 1987.

CHANGE OF ADDRESS

OF PAYING AGENT

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relocate to:

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STRAND, LONDON SW1

207/1 YX AMSTERDAM

NETHERLANDS

Bank of Tokyo International Limited,

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17th September, 1987

NOTICE OF PREPAYMENT

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100,000,000 United States Dollars

Rebatabile Bonds

Issued on November 19, 1983

Interest rate: 12.35% p.a. for the period from

November 19, 1984 through November 19,

1987

In accordance with paragraph 11 of the terms and conditions of the Bonds, issued on November 19, 1983 the total amount remaining outstanding of the above-mentioned Bonds U.S.\$32,110,000.

Payment of interest on November 19, 1987 and repayment of principal on November 19, 1987 will be made in accordance with the provisions of the Bonds.

Interest will cease to accrue on the Bonds from November 19, 1987.

LUXEMBOURG, September 17, 1987

THE FISCAL AGENT

KREDINETBANK

S.A. LUXEMBOURG/DEUTSCHE

To the providers of the Purchase

Fund, notice is hereby given that

no Bonds have been purchased during the

twelve-month period from September 19, 1986

to September 9, 1987. Amount outstanding:

U.S. \$1,073,000.

THE COPENHAGEN COUNTY AUTHORITY

24,000,000 European Units

of Account

5%, 1979/1991 Bonds

Pursuant to the provisions of the Purchase

Fund, notice is hereby given to bondholders that

no Bonds have been purchased during the

twelve-month period from September 19, 1986

to September 9, 1987. Amount outstanding:

U.S. \$1,073,000.

THE COPENHAGEN COUNTY AUTHORITY

September 17, 1987.

Personal

THE COPENHAGEN COUNTY AUTHORITY

September 17, 1987.

THE COPENHAGEN COUNTY AUTHORITY

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Thatcher dents cities' cash hopes

BY IAN HAMILTON FAZEY AND HAZEL DUFFY

NO EXTRA money for the Government's inner cities programme is expected to emerge from the current public expenditure round. Instead, ministers will be told to concentrate on more effective spending of existing money and particularly on projects which directly create jobs.

Mrs Thatcher, making the first of her visits to English inner cities, said in Teesside yesterday: "We are looking at targeting the money better and taking it away from where it is not producing jobs." That could mean less money channelled through the local authorities and more through central government projects.

But she left open the possibility that higher revenues from a

buoyant private sector could lead to increased allocations overall in the future.

The money comes not from government. Government has not got any. The only money we can use is from taxing successful businesses and the people who work in business. Mercifully, business is now doing well.

The Government has already sanctioned around an extra £160m over the next five years for each of the four new urban development corporations, one of them in the Teesside area in the north-east of England. Mr Nicholas Ridley, Environment Secretary, is anxious to announce a new round of UDCs, for which funding would need to be in place by 1989-90.

The next indication of the

Government's plans for the inner cities could come in the form of a policy statement in the autumn. A proposed programme giving priority areas for Government spending is being drawn up by a team of civil servants attempting to co-ordinate the present array of policies. It is expected to be submitted to the cabinet committee on inner cities, chaired by the Prime Minister, in a few weeks.

Mrs Thatcher's visit yesterday was carefully stage-managed. She visited industrial waste land in an area which has been devastated by industrial restructuring and withdrawal of a small 'high tech' estate in the Middlesbrough enterprise zone, a private housing develop-

ment in the inner city and a precision engineering company.

There were few spectators, and only one demonstration organised by the National Union of Public Employees and the Middlesbrough Communist Party. Some of the 'walkabout' phases of the tour had the flavour of a royal progress as she paused to talk to spectators.

Mr Stuart Bell, Labour MP for Middlesbrough, walked through the demonstrators to cries of "traitor" as he went to meet Mrs Thatcher privately. "I'll do more than on this side of the fence than on yours," he retorted, saying that he wanted to impress on the Prime Minister that the Government should work more with the local Labour councils instead of trying to bypass them.

Steel faces Liberal revolt over policy stances for merger

BY PETER RIDDELL, POLITICAL EDITOR

MR DAVID STEEL, the Liberal Leader, faces a possible rank-and-file revolt at his party assembly this afternoon, about whether central policy stances should be agreed with the Social Democratic Party before a new merged party is set up.

A sizeable group of Liberals is concerned that a joint statement might include a reference to retaining a British nuclear capability. They have put down an amendment to the motion of merger talks, stating that no policy discussions should take place until after a new party is formed.

Both Mr Steel and Mr Robert MacLennan, the SDP Leader, yesterday made clear their belief that the broad policy stance and identity should be known before a merger. The two leaders and possibly their fellow MPs would issue a joint declaration before members of their two parties vote on a merger early next year.

Both leaders distinguish such a declaration from the preamble on broad policy principles to be included in the constitution of the new party as well as from detailed policies on, for example, weapons systems which would be decided by members of the new party.

Leaders of the pre-merger majority in the SDP regard it as essential to reach such an understanding on defence before a merger decision, if the number of opponents in their party is to be minimised. SDP Leaders believe that if the defence



Robert MacLennan opposed 'blank cheque'.

stance is agreed the 42 per cent of party members who opposed merger talks in last month's ballot might be substantially reduced, and Dr David Owen the former party Leader might be

In a well-received speech Mr MacLennan said it was necessary to define the policy stance to establish the identity of the new party. Hence he did not favour a 'blank cheque approach.'

He irritated such Liberal activists when he said the two parties' commitment to collective security in Nato should involve retaining a nuclear element in Britain's defence capability for the foreseeable future.

Conference report, Page 13

Coal users confident as dispute looms

BY MAURICE SAMUELSON

ALTHOUGH the then National Coal Board was victorious in the miners' strike of 1984-85, it was frequently upstaged by the public relations war by Mr Arthur Scargill, the National Union of Mineworkers fast-talking president.

Mr Scargill, who has never conceded defeat over the year-long dispute, has again been winning public relations bouquets in the countdown to next week's overtime ban.

But users of coal confidently agree that they are more immune than ever to a new round of industrial action in the pits and that the miners will be the prime victims of any attempt to reopen hostilities.

Mr Robert Haslam, British Coal's chairman, has echoed Mr Scargill's warning that a ban could cut output in the affected areas by up to 20 per cent, slashing revenue by some £10m a week.

This calculation seems to be based on the fact that a full overtime ban would prevent production of coal on Monday, which would be devoted instead to the statutory maintenance work normally carried out at weekends.

Unofficial estimates are less dramatic. Given a possible lack of militancy on the part of many miners, who would stand to lose between £50 and £100 a week in bonuses in the pre-winter months, and the fact that this time the NUM is not threatening to remove safety cover in the pits, the loss of output may be little more than 5 per cent.

Much will depend on the duration of a ban. In the past, protracted bans have had a cumulative effect. The six-month ban which preceded the 1984-85 strike ultimately reduced output by half, seriously denting customer confidence and inviting a swelling tide of imports.

This time, a ban would come against a backdrop of the most dramatic productivity improvements in the industry's history - a 21 per cent improvement last year alone.

These improvements are likely to continue. Although a ban would inevitably damage British Coal's financial performance this year, it would have to continue right through the winter to torpedo the corporation's hopes of breaking even in the next financial year.

That is because the break-even strategy depends on the long-term effects of investment in low-duty face equipment and the huge manpower reductions which are now settling at a lower level.

In the meantime, coal sales to the power stations have been healthily buoyant, thanks to the higher than expected demand for electricity, especially from industry, and the poor performance of the Central Electricity



Arthur Scargill: winning public relations bouquets

Generating Board's advanced gas-cooled reactor nuclear power stations.

In the CEBG itself, nobody seems to be batting an eyelid about the operational effects of the ban. Coal deliveries have been running at a high level and there is no suggestion of importing more coal or burning more oil.

The power stations hold high stocks: those of the CEBG and its Scottish counterparts have 25m tonnes in their yards, only 5m tonnes below the level just before the 1984-85 strike and equivalent to four months' normal consumption without switching on the oil-fired plants.

There is also a further 7m-8m tonnes of stocks held by British Coal at pitheads and other strategic points around the country.

The CEBG's confidence reflects the experience it gained during the 1984-85 disruption: its belief that the important Nottinghamshire coalfield is more disaffected than ever from Mr Scargill; its ability to switch on its big southern oil stations; and the abundance of cheap foreign coal available for the coal burners on the ThAMES.

Other coal consumers display similar lack of concern. "Most of our members are sanguine at the moment," says the Chamber of Coal Traders, which handles supplies to the domestic and industrial markets other than the power stations and steelworks.

For British Coal, therefore, it is the image projected by the dispute which hurts most. The confrontation makes a mockery of the claim that there is a new mood of realism in the pits and that the 'bad old days' of strikes and unreliability are gone for ever.

Perhaps most important, the looming clash adds force to the pointed observations by the electricity industry that, once it is privatised, it will be free to import as much coal as it wants.

Crownx offer prompts takeover panel ruling

BY DAVID LASCELLES, BANKING EDITOR

BRITISH & Commonwealth's £545m bid for Mercantile House was thrown into confusion yesterday by a dramatic intervention from Crownx, a leading Canadian financial services company.

Crownx announced a last minute counter-offer for two money broking units of Mercantile House which B&C had already agreed to spin off to Quadrax, a securities company.

Crownx is offering £280m for the units, the same as Quadrax. But in order to win Mercantile shareholders' support, the Canadian company is also offering to pay 10p per share directly to those of them who approve the B&C bid, provided that the broking units are sold to Crownx instead of Quadrax. This raises the total value of its offer to £280m.

The unusual terms - which takeover specialists said were unprecedented - caused a storm in the City of London and forced the Takeover Panel to summon a full meeting today to rule on their legitimacy. Mr Gary Klesch, the owner of Quadrax, denounced them as a "bribe" and Samuel Montijo, his merchant bankers, said they were "a grotesque ploy" which would cause mayhem in the takeover market if they were allowed.

Crownx defended them on the grounds that they would bring benefits to Mercantile's shareholders, who might otherwise lose out on the bidding for the

Building societies plan £10bn merger

BY HUGO DIXON

WOOLWICH Building Society and Gateway Building Society are planning to merge in what would be the second largest society merger ever.

The merger will in effect be a takeover of Gateway, Britain's fifteenth largest society, by Woolwich, the fourth largest. The new society, to be called Woolwich, will continue as the country's fourth largest society with assets of £10.2bn.

Gateway said it was merging because it was too small to compete effectively in today's rapidly changing financial services market. It also expects to derive economies of scale from being part of a larger group.

"Societies of the size of Gate-

way will not be able to offer all

the services the customer wants," Mr Michael Gibbs, its managing director, said.

Recently, societies have been feeling the pinch of competition in the mortgage market from banks and specialist mortgage lenders. At the same time, the smaller societies have not had the human or financial resources to take advantage of the diversification possibilities allowed under last year's Building Societies Act.

At the beginning of this month, the £18bn merger between Nationwide and Anglia building societies was completed. Similar reasons of more effective competition and economies of scale were given for the union.

Analysis, Page 14

Leaders of the pre-merger majority in the SDP regard it as essential to reach such an understanding on defence before a merger decision, if the number of opponents in their party is to be minimised. SDP Leaders believe that if the defence

income on accumulation units is automatically reinvested and is reflected in the price of shares on subsequent dealing days.

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UK NEWS - THE LIBERALS AT HARROGATE

MacLennan resists policy 'blank cheque'



WORK STUDY: Robert MacLennan preparing his speech

SOCIAL DEMOCRATS and Liberals should not give a merged party a blank cheque on policy issues, Mr Robert MacLennan, leader of the SDP, told the Liberal Assembly.

In a speech to an attentive and appreciative audience, Mr MacLennan set out the principles that would give an identity to an embryo party. Afterwards delegates gave him a standing ovation lasting several minutes.

Even his proclaimed commitment to retaining nuclear weapons in Britain - fervently opposed by some Liberals - provoked no hostile reaction.

Mr MacLennan accepted that it must be the membership of the new party which decided detailed policy but insisted that the parties sought to address a larger potential audience than existing members.

"It is the identity of such a great new, national party which will draw in that wider membership," he told delegates. "It is the political stance of that party on the major issues of the day which will set out that identity."

Thus, he said, ruled out the "blank cheque" approach to negotiations. "But let me assure you that neither is it my desire to seek definitions and additions down to the last decimal point."

Mr MacLennan avoided specific policy topics. Instead he spoke of a party which would tackle social deprivation, be committed to competitive markets and the renewal of Britain's "secretive, centralised and unifying" democracy.

Together, he said, Liberals and Social Democrats would seek to "enrich our country's civilisation" through the arts and science as well as through material wealth.

"We intend to banish the dark injustices, the blind inhumanity and the unfair discrimination which still scar Britain today."

On defence, he told Liberal delegates: "We must proclaim our commitment as internationalists to the collective strategy of Nato for defence and disarmament, retaining a nuclear element in Britain's defence ca-

pability for the foreseeable future."

He said Social Democrats remained committed to the principle of one member, one vote in a half-joking stab at Mr David Steel, he added: "Speaking for myself, one member, one vote carries a far more resonant ring to it than one member, one veto."

He described himself as a "candid friend" of the Liberal Party who was "determined and

dedicated" to the task of merger. "My task is to serve a third force for the British people - effective because it is unified."

The SDP leader said merger negotiations would include many opportunities for input from members of both parties: "Those of us who seek to lead can only do so if we first listen."

He likened the division and disputes within the Alliance parties since the general election to the swift decline of the Emperor Napoleon.

"It took Napoleon 100 days to progress from a small, warm, comfortable Mediterranean kingdom to a minute, cold, miserable, Atlantic island prison."

To laughter from delegates, he said this was "very nearly what our two parties did to ourselves during the hundred days since the election."

Yet he believed the parties now had an opportunity to create a new force in politics.

"We must set our sights high - both to remain true to those 7m Alliance voters of June and, crucially, to those potential millions more who have, so far, been untouched as well, asked only that we get our act together, and not, as yet, given us their votes."

The "creative spark" of the Alliance parties, he believed, was sorely needed in the "dreary politics of contemporary Britain".

The Labour Party, he said, was part of the "sordid establishment" in the UK while the Conservatives were led by Mrs Thatcher, a "deeply flawed

leader who has apparently made a better job of co-operation than those at the top of the party."

He said: "One result of this trend was that London and the home counties were 'choking to death,' as reflected in high property prices, the erosion of the green belt, the 'nightmare' of commuter travel, skill shortages in industry and high office rentals."

Mr Bruce argued that the imbalance had developed between London and the rest of the UK. "The concentration of economic power in London is now so great it is frustrating the operation of market forces. London has become a black hole which sucks in talent and resources from all the regions in the rest of the country."

He said: "One result of this trend was that London and the home counties were 'choking to death,' as reflected in high property prices, the erosion of the green belt, the 'nightmare' of commuter travel, skill shortages in industry and high office rentals."

Mr Bruce called on Liberals to "challenge the centralised notion that Whitehall and company office know best and will always be right."

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UK NEWS

Deprived areas fear loss of EC regional funds

BY QUENTIN FEEL IN STRASBOURG

BRITISH regions look set to do badly in future distribution of cash from the European Community regional fund. That is because of the entry of Spain and Portugal and a planned change in the formula for calculating regional deprivation.

Harshest hit may be the Highlands and Islands of Scotland, including the Orkneys and Shetlands, which might be cut off from all access to the regional fund.

The Highlands and Islands Development Board has mounted a lobbying effort in the European institutions to achieve a change in the rules, to ensure that one of the remotest and most sparsely populated regions of the Community is included for grant aid from Brussels.

All the UK regions face a squeeze under proposed rules for the Eibra Regional Fund, which would allow 80 per cent of the money to go to the poorest regions, and only 20 per cent for those suffering from industrial decline and long-term unemployment - the category under which most British regions would hope to benefit.

The plan put forward by the European Commission in July is being strenuously resisted by the British Government and representatives from the industrial north, who foresee a high proportion of the funds going to the southern states.

At the same time, the last EC list classifying regions accord-

ing to relative prosperity, published in July, came to the apparently absurd conclusion that the Highlands and Islands of Scotland were more prosperous than English counties such as Kent and Lincolnshire.

Mrs Winnie Ewing, the Scottish National Party MEP, said the calculation was based on outdated 1981 figures submitted by the UK Government, when some 12,000 people were employed in the industry. Only 2,000 were still employed today, she said in the European Parliament.

The emphasis in future, however, will be less on lobbying the Government to do things than on putting the responsibility on commerce and industry to take advantage of currently buoyant economic conditions.

Sir David Nicolson, president, admitted that if the CBI did not come up with a more forward-looking and positive role, it would be "left behind on the problem facing BT."

Mr Ian Banham, director general, said: "We see the Government as basically benign, friendly and looking for help. And we are anxious to give that help."

Mr Banham, who took up his post in the spring, has had to modify his original proposals to include a much greater emphasis on manufacturing, to push members to inject a more international, and particularly European, dimension into their activities, and to pledge the CBI to continue the fight for a reduction in industry's energy costs.

Details of the strategy, however, are vague. It seems likely to be more a presentation than a change that recognises that the CBI endorses the policies of the present Government and will gain more respect from ministers by projecting itself positively.

Extensive consultation of members has shown they want the CBI to:

- Keep the costs of legislation and regulation on business under control by reinforcing its capability to influence the Government and the European Community - a current example is the pressure the CBI is putting on the Government to reduce business rates, by withdrawing its support for the community charge proposal.

- Promote a manufacturing base to complement the developing strengths of the service sector.

- Propose specific steps to remove the competitive handicaps outside the control of individual businesses, particularly in the education system, where the CBI wants to act as a partner.

For example, a one-man intermediary firm with net income now of £17,683 could expect that to fall to £12,970 in the first year after the act is fully implemented and to £7,831 in the fourth year. That assumes that the new commissions agreement allows for so-called indemnity terms whereby life companies would pay several years' commissions in advance.

However, an Arthur Young computer model showed that the two factors combined might actually produce a drop of between 28 per cent and 35 per cent in small intermediaries' net income, depending on how the commission agreement is applied.

For example, a one-man intermediary firm with net income now of £17,683 could expect that to fall to £12,970 in the first year after the act is fully implemented and to £7,831 in the fourth year. That assumes that the new commissions agreement allows for so-called indemnity terms whereby life companies would pay several years' commissions in advance.

Sir Gordon Barrie, OFT director-general, feared the act would be significantly anti-competitive because small independents might be forced out of business, reducing the amount of unbiased investment advice available.

The study found that, on average, small intermediaries themselves expected net income to drop by 8 per cent. That would

Investment in unit trusts remains high

By Eric Short

THE INVESTMENT boom in unit trusts did not slacken last month, according to sales figures issued yesterday by the Unit Trust Association.

It had been expected that sales would fall sharply for two reasons. Experience in previous years has shown that August is a quiet period for investment generally and unit trusts in particular.

Secondly, stock markets worldwide last month fell from their previous high levels and past experience has shown that investors lose interest in falling markets.

The association's figures show the effect of such falling markets. The total value of funds under management with

the unit trust industry slipped from £27.9bn to £27.8bn, the decline being directly attributable to realignment in stock market values.

But neither the holiday period nor the stock market decline deterred investors. The number of unit-holder accounts rose by a record 187,000 to 4.42m, while total sales of units amounted to £1.34bn, the second highest monthly sales figure recorded only by the £1.57bn sales in July.

Last month's sales were almost double those of August last year.

Mr Parkinson replied that BNFL was investing heavily on cleaning up Sellafield and that the sea caverns were only one of several options being examined by the British nuclear industry for storing waste.

Sales exceeding £1bn have now been achieved in every month this year. Total unit sales this year amount to £10.2bn against £8.6bn for the whole of last year.

OBITUARY

Lord Soames: Tory statesman

LORD SOAMES, the Conservative peer whose career in politics spanned more than 30 years from the time of Winston Churchill to the era of Margaret Thatcher, died peacefully at his Hampshire home yesterday aged 66.

He held many high offices of state and was at one time widely tipped as a future prime minister. Throughout his public life he suffered many reversals of fortune. Lord Soames's crowning achievement late in life was his leading part in solving the Rhodesian crisis and as Governor of Southern Rhodesia, from 1979 until 1980, negotiating the independence agreement together with Lord Carrington, then Foreign Secretary.

A man big in stature, Christopher Soames was an outside personality in all respects. He was tall and genial but also blunt and outspoken - characteristics that led to accusations of arrogance from critics.

He was Conservative MP for Bedford from 1950 until he lost in 1966. He never regained a seat in the Commons and was made a life peer in 1978.

Educated at Eton and Sandhurst, he was commissioned in the Coldstream Guards and served in the Second World War. In 1947 he married Mary Churchill, the daughter of Sir Winston Churchill. He was parliamentary private secretary to Churchill from 1952 to 1955.

During Churchill's illness a

CBI puts priority on competitive production

By Hazel Duffy

THE Confederation of British Industry is planning to take a more positive, forward-looking role in securing an environment in which British business can prosper.

High among priorities of the new strategy approved yesterday by its council will be the promotion of an internationally competitive manufacturing

Sir Trevor Holdsworth, deputy president, will present the CBI's manufacturing strategy to the meeting of the National Economic Development Council next month.

The emphasis is future, however, will be less on lobbying the Government to do things than on putting the responsibility on commerce and industry to take advantage of currently buoyant economic conditions.

Sir David Nicolson, president,

admitted that if the CBI did not come up with a more forward-looking and positive role, it would be "left behind on the problem facing BT."

But challenge he said, had brought the board to the opposite conclusion - that an outsider would have had "to surmount an extremely steep learning curve" about a complex business, and that the time was "not available".

Mr Rainsford also makes the point that the board felt it was important to appoint a chairman who could "command the

loyalty and respect of the staff - an issue that is frequently mentioned by other senior managers. But the point about the learning curve is probably the most important, because it is one on which other senior executives and consultants disagree.

Mr Iain Vallance, moving into the hot seat after a lifetime with the group, has been made painfully aware that he will undergo relentless scrutiny for some time to come. He must be equally aware by now that most of the British managerial establishment thinks he is the wrong man for the job.

The case against Mr Vallance, in very general terms, is that what BT needs at the moment is an outsider who will come to the group with fresh ideas.

The company has all the specialist knowledge it could possibly need, the argument goes. But it could do with a shake-up, it must clean up its public image, and could use a manager with the vision to grasp the exceptional growth opportunities opening up in telecommunications.

In a letter to The Times this week, Mr John Rainsford, deputy chairman-elect, made clear that the board was equally concerned about what he called the "pressing nature of the problems facing BT."

But challenge he said, had brought the board to the opposite conclusion - that an outsider would have had "to surmount an extremely steep learning curve" about a complex business, and that the time was "not available".

Many executives say that if it is the former, there is no need to go outside to recruit. "I think you should promote from inside generally if the company is in good shape, morale is high, and you have the talent," as Sir Mu-

hammad Edwards, the former chairman of British Leyland, puts it.

If, on the other hand, the company does have more deep-seated troubles, promotion from inside is dangerous. Many big household-name companies, do, of course, promote exclusively from inside - groups such as Imperial Chemical Industries and Unilever in the UK, and International Business Machines, General Electric and General Motors in the US. They appear to have developed the knack of generating new chairmen who are both sensitive to the culture of their companies and capable of changing it.

But, says Mr John Courtice, chairman of Decca, a paper napkin company, and the head of its executive search group: "Unless a company breeds excellence intellectually, ethically and managerially, it is very dangerous for people to come up from inside."

One of the difficulties in judging the appropriate action at BT is that it is not easy to say whether it is a company in great difficulty or not. It makes huge profits, criticism of its services was muted until recently, and telecommunications groups are notoriously difficult.

For most senior managers, the issue at BT is not so much one of its technology, and whether or not it is difficult to learn, but the judgment of exactly what sort of crisis has hit it.

Is the company basically sound and effective, suffering only from a short-term difficulty inherited from the strike earlier this year? Or is it being shaken by more fundamental alliments?

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THE ARTS

Lloyd's of London/William Packer

Pictures strengthen the walls of the City

Over the next few months the Financial Times is celebrating its centenary in several ways and, as an appropriate part of the fun, an exhibition of some kind was proposed at an early stage. With its own collection of contemporary British Art, put together in the 1950s and 1960s, the FT long ago set a practical example of bringing art to the City, and so a small demonstration on what might be done with current British art was an obvious theme to fix upon.

The Council of Lloyd's of London, with its intriguing new building by Richard Rogers, felt it also had something to celebrate, and was delighted to associate itself with the scheme by offering the use of its viewing gallery. Further help was also generously given by Mr Harry Handelsman, a property developer who has subsidised the publication of the catalogue, and Laurent Perrier UK, who came in with copious liquid encouragement.

Thus Art for the City was set in train. A small selection committee consisting of Mrs Cary Hubbard, who is Chairman of the Contemporary Art Society; Roger de Grey, the President of the Royal Academy; Gordon Hutton, a member of the council of Lloyd's and myself, came together and by a process of individual nomination established a list of some 16 painters and sculptors to be invited to show their work.

We had no refusals, which shows that all artists know that such mixed and essentially improvised exercises can carry real physical risk to the work, was a mark of considerable trust and generalism on our part. In what might have been an alien situation, possibly ineptly handled or thoughtlessly stored or stacked—and even when finally on show still not entirely safe, perhaps, from people unused to having works of art about the place, the work of many months



"Cool Black Cat" by Nicola Hicks, behind her bronze hog

could be ravaged in a moment. Here insurance at least was hardly a problem, and the show itself "handsomely hung" by Clive Garland and Roy Cozen, who over two long and difficult days with great patience and ingenuity, defied all the problems that modern archi-

tecture could throw at them. Art for the City, filling the spectacular open gallery beyond Lloyd's own historical display on the 4th floor, remains on view to the public during normal business hours until October 3.

Why Art for the City at all?

Alban Berg Quartet/Elizabeth Hall

Richard Fairman

As the autumn season on the South Bank gets under way, the much-publicised residencies of three leading ensembles are beginning to show up on the monthly programmes. As yet there is no sign of the coherent artistic planning that is promised, though that too cannot be far away. The Alban Berg Quartet, in this chamber music residency, has already talked of a complete Beethoven quartet cycle for next year.

With this recital, in which two Beethoven quartets framed the Berg Op 3 Quartet, they gave a foretaste of what is to come. In the sheer quality of the playing the London public will surely have little cause for complaint. The strong sound of this group is at once lucid and richly blended, every bit as elegantly fashioned as the playing of their compatriots, the Vienna Philharmonic, on tour here last week.

Like them, they bring to their music an old-world coolness and precision. Although the quartet by Berg that they offered is an early work and only dated from 1910, it is by no means a piece of late romantic indulgence and the group did not treat it as such. The lyrical phrases were not inflated, and its strange sonorities were made to look forward to the pointillist world of Webern rather than back to the extravagance of a Richard Strauss.

Bass wins John Christie Award

The 1987 John Christie Award has been given to the bass Alastair Miles. The award was established in 1985 to enable the recipients to study and travel abroad.

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Arts Guide

Exhibitions

LONDON

The Tate Gallery. Turner is the new Clore Gallery. The Turner Bequest, which amounts to nearly 300 oil paintings, finished watercolours and a host of 15,000 or so watercolours and drawings, has been a source of controversy and division ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oak-panelled galleries is a far cry from the rich pub he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration, or on loan is on the wall.

WEST GERMANY

Venue: Palazzo Grassi; Jean Tinguely, 1954-1987. The joyous mechanical sculptures of Swiss artist Jean Tinguely. A gender, but still mischievous, version of Salvador Dalí. Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments" and the complexity and sheer improbability of his works communicate a touching "joie de vivre". Over 300 works are on show, lent by American and European museums, with photographs

of his first Self-Destructing Sculpture Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York. Ends Oct 14.

Palazzo Grassi; Brachetti: Photographs in Rome 1845-1875. The Terra Photographica exhibition opened almost up to 1970 to describe the early photographers, even if they had never painted. An absorbing collection of documentary photographs of Rome, including a collection by the English architect, John Henry Parker, and some striking portraits, all from the archives of the House Committee. Ends Sept 20.

Hildegard, Roemer und Pelizaeus-Museum, Am Stein 1-3. Egypt's rise to a World Power. More than 300 pieces loaned by 20 museums in Europe, Africa and America—the first presentation of the most important 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmose III, discovered in 1907 without a face, can be seen complete in Hildegard. The bust, found in Egypt 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3000 year old burial chamber of Seamer, the former mayor of antique Thebes. Coffins, household appliances, tools, cosmetics and jewelery illustrate the everyday life of Egyptian citizens. Ends Nov 23.

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FINANCIAL TIMES

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Thursday September 17 1987

Not just the Nice Party

THE Liberal Party assembly in Harrogate will decide today whether or not to enter formal negotiations with the Social Democrats with a view to forming a new merged party.

To judge by the assembly proceedings so far, and the reception given to Mr Robert Maclellan, the new Social Democratic leader yesterday, the vote will go overwhelmingly in favour and without the need for the Liberals to take a ballot of their entire membership.

The new party could come into being by the early spring of next year and in time to fight the local elections in May.

The speed of development since the General Election in June has been remarkable. First, Mr David Steel, the Liberal Party leader, reacted to the election result by calling for a merger. Then the Social Democrats held a ballot of their own members and found the majority in favour. Dr David Owen resigned as the SDP leader and appears set in his determination to have no part in the new grouping. The Social Democrats held an unhappy conference in Portsmouth two weeks ago where the majority again confirmed that the merger was the preferred way forward.

Mr Maclellan, who opposed the merger in the first place, is now doing his best to bring it about on terms that will be acceptable to as many Social Democrats as possible.

Ambitious speeches

Not surprisingly, the Liberals in Harrogate are in pretty confident mood. Not for them the agonising of the Social Democrats in Portsmouth who did not know why they were being bounced into such developments so fast, and were unclear whether their leader was deserting them or whether they were deserting him.

Everything presently is going the Liberals' way. Some of them do not even mind dropping the party's name, for their connection with the party of Mr Gladstone in the last century is somewhat tenuous. The Liberals as they are known today are a party that looks on with a number of by-election successes in the late 1980s and has been doing much the same ever since.

promising lot and achievement little. It is time, as they say, for a new start. Or rather, a new "new start". Over the years there have been

Guy de Jonquieres talks to the EC Commission's new secretary-general

IT SAYS a lot about the way decisions are taken in the European Community that David Williamson, the Whitehall mandarin who is to become secretary-general of the EC Commission, was kept guessing right up to the last moment whether his appointment would actually be approved yesterday by the Commission's 16 members.

Farm and budget policies apart, few Community issues excite such intense nationalistic passion or give rise to such complex horse-trading between member governments as the choice of key Commission personnel. In this instance, the wrangling has been up to Olympic standards.

Not only is the secretary-general by far the most influential of the Commission's top civil servants, but the job has been regarded as a French preserve ever since the formation of the Community. Quite extraordinarily, since the position was created it has been occupied by the same man, Emile Noel.

Persuading France to surrender the baton to Noel's retirement was one thing. Getting the rest of the Community to agree to a British successor hand-picked by Mrs Thatcher—who in the last election campaign numbered her handling of the EC, along with the miners' strike, among her famous victories—has been quite another.

Williamson himself, a chubby and amiable 53-year-old, diplomatically rejects any suggestion that Britain's attitude or performance in the EC is in any way relevant to his appointment.

With a polished delivery born of long practice, he insists that examination of the record demonstrates the UK has behaved in a manner no less commendable than any of its partners.

Nonetheless, others in Whitehall say that the political infighting in Brussels over his nomination has imposed great strain on him in recent weeks.

It has left him in no doubt that to establish his credibility in the new job, he must demonstrate early that his first loyalty is to the EC institutions.

Not that even the most hostile European critic of Mrs Thatcher has ever seriously questioned Williamson's ability, integrity or suitability for the post. He comes with impressive credentials: a first class degree in Maths from Oxford, followed by a rapid rise up the Whitehall ladder, initially at the Ministry of Agriculture (where he was once described as "a Rolls-Royce among Morris").

He has spent the past three years as deputy secretary for EC affairs in the Cabinet Office.

He has intimate inside knowledge of the workings of the Commission, gained during a secondment as deputy-director of agricultural affairs between 1977 and 1983. He also participated in the negotiations on Britain's accession to the Community and has more recently been involved in high-level inter-governmental EC meetings.

The final reservation concerns Mr Steel. Does he intend to lead the new party that he is bringing into being or is all this, in Mr Maclellan's phrase, two weeks ago, midsummer madness?

Mr Steel should make his intentions clearer in his closing speech to the assembly tomorrow.

It needs to lift its sights.

The next General Election will almost certainly be fought without electoral reforms. That means that it is not good enough to be a third force. The new party will have to set out to come second if not to win. That means attacking the Labour Party in a manner that the Liberals have seldom done.

If the new party does not have the guts to do that, it will deserve to go on in the quiet old Liberal way.

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Power vacuum in Manila

IN EIGHTEEN months President Corazon Aquino of the Philippines, elected on an extraordinary tide of popular support, has been swept into dangerous political waters. After five coup attempts, she is now drifting in perilous indecision.

There is no understanding of Mrs Aquino's achievements since President Ferdinand Marcos was ousted and exiled in February 1986. The most important has been the fully democratic election of a two-tier Parliament.

Now it is easy to overstate the difficulties facing any leader in the islands faced with a ruined economy, Communists and Moslems insurgents, soaring birth rate and a panoply of politicians whose common characteristic appears to be self-interest. She has also had to face a divided and disillusioned military, unused to the compromises inevitable in a re-emerging democracy.

Yet clearly defined policies are now needed. The August 24 coup attempt came closer to success than any other. It resulted in the entire Cabinet proffering its resignation together with those of other key appointees such as the Central Bank governor. This gives Mrs Aquino her first real opportunity to eliminate at least some of the internal divisions which has impeded her administration.

As soon as she took power Mrs Aquino formed a "coalition" Cabinet, comprising not representatives of different political parties but prominent individuals united only in their opposition to the Marcos regime. There are still no properly constituted national political parties, which may be one reason why the Communists are an armed rather than a political operation.

Once the new Congress was elected the existing Cabinet was deprived of its legislative function, and the two broad camps within it took to public feuding. One group, loosely coalescing around Mrs Aquino's powerful Executive Secretary, Mr Joker Arroyo, argued for a conciliatory approach to the Communist insurgency, was generally antagonistic to International Monetary Fund and World Bank economic policies and, in varying degrees, supported selective repudiation of

some of the country's foreign debt.

The other group, gathered around Mr Jaime Ongpin, the Finance Minister, wanted a tough and aggressive stand against the insurgents, supported orthodox economic policies including the agreed restructuring of external debt, and wanted to encourage foreign investment.

However, scattered throughout are mavericks, particularly former military officers. They urge the harshest line against the Communist New People's Army without any of the socio-economic policies—notably land reform—which could weaken Communist support in the poorest rural areas. Moreover, personal ambition has led to the undermining of Mrs Aquino's authority by key individuals. The most notorious is Mr Jun Ponciano Enciso, the former Defense Minister, the latest in Vice President Salvador Laurel, who was also foreign minister. He announced yesterday that because of irreconcilable differences he can no longer serve in Mrs Aquino's Cabinet. This leaves her with a constitutional vice president determined to use the office to promote his own campaign for the presidency against her.

Faced with these complexities it is perhaps not surprising that Mrs Aquino has hesitated over the reshuffle. The first announcement yesterday was the sacking of Mr Ongpin which may cause a shudder in the international financial community. But that is not to say that his group is out. His successor, Mr Vicente Jayme, former public works minister and a former president of the Philippines National Bank, is likely to be sympathetic to Mr Ongpin's economic ideas. An important test will be the fate of Mr Arroyo. If he stays while Mr Ongpin goes it would suggest that Mrs Aquino has moved leftwards, away from the pragmatists and, crucially, away from the army, a move which could alienate sections of the military and alarm the United States which has been pivotal in its support for her.

In any event, the most dangerous option is to delay longer over the reshuffle, leaving a power vacuum which could too easily be filled undemocratically.

Tokyo law

Two London solicitors, Tony Grundy and James Crook, hope to open shop in Tokyo shortly for England's second largest firm of solicitors, Linklaters and Paines.

L & P is adopting the good old principle of following the business



David Williamson: "firer in the best sense of the word."

Rubbing Europe up the right way

Beyond that, an unstudied manner and pockish sense of fun have earned him the distinction of being universally liked, as well as respected, by those who have worked with him in both London and Brussels. Indeed, almost incredibly, it seems impossible to find anyone with a bad word to say about him personally.

"An amusing, courteous, permanently god-humoured man who is always prepared to find time to talk entertainingly about serious issues," says one senior Commission official. His amiability has stood him in good stead as an operator. "He has a knack for rubbing people up the right way and subduing their latent hostility," according to a British diplomat with long EC experience.

The words "efficiency" and "management" crop up frequently in his conversation. One of his proudest achievements while running the Community's agricultural marketing operations in Brussels was pulling off an astute deal on the commodity markets which saved European taxpayers some £200m (£100m).

He says he decided to join the Ministry of Agriculture — not the most obvious choice for an ambitious civil servant with a glittering academic record — chiefly because he was attracted by the idea of working in a department where decisions had direct and immediate impact on the outside world.

Though Williamson's emphasis on efficiency and getting value for money must have won the enthusiastic approval of the Prime Minister, not all Whitehall officials were convinced that he would hit it off with her. "I am surprised they get on so well," says one. "He's a chirpy chappie, doesn't seem her cup of tea at all."

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Noel's principal source of influence stems from his encyclopedic knowledge of the history of the Community's institutions and the people who work in them.

"Nothing is more terrifying than putting forward an idea at a meeting at which Noel is present and seeing him start to shake his head," says a Commission official. "He will then explain very deliberately but politely, that exactly the same proposal was made 15 years ago and was found unworkable for the following ten reasons."

Not surprisingly, almost every newly-appointed President of the Commission turns to Noel for hand-holding and advice. Most have held him in high esteem as a confident.

As a result, there is no record of any major decision being taken without his full consent.

Williamson says that he wants as long a hand-over period as possible so that he can learn from Noel's experience.

He readily agrees that he cannot hope to replicate his predecessor's role as a repository of Community lore. If he is to make an equally enduring mark on the Commission as secretary-general, almost inevitably he will do so by re-defining the nature of the job.

The appearance of this book is most timely, but unfortunately it is not the most revealing original work which the subject so badly needs.

Part of its problem is that it is irritating to read.

The style often lapses into management consultancy jargon (lots of input factors and organisational technologies) and the text is larded with examples which seem (to me at any rate) loosely culled from newspaper files, rather than based on hard original research.

But the book's greater weakness is the one common to so much debate on this subject: it accepts almost without question the premise that Japan is about to conquer world finance, and

then labours the point with scare language. "The threat is real," the implications are ominous, "the heat is on." Even the dust jacket shows London landmarks being swamped by a Japanese tidal wave.

Many points about Japan's growing strength in financial services certainly are worrying. Its financial institutions are huge; they pursue global ambitions and they have already flexed their muscles to powerful effect. Japan's torrent of capital exports—the famous "wall of money"—has also held the markets spellbound. But does this necessarily mean that Japanese bankers and brokers will succeed?

One good reason for suspecting that they will find it tougher than their metal-bashing and chip-making colleagues is the vital difference between the industrial and financial markets. When Japanese industrialists first appeared on the world scene 20 years ago, western industry was arguably already in decline. Its industries were mature, inefficient and lacking vitality. So it was comparatively easy for an aggressive newcomer from a youthful industrial power to make headway.

That is not a description one can apply to the financial services market today. International finance is not only intensely competitive, innovative and vigorous, but also distinctly western, or to be more precise, Anglo-Saxon in culture—all of which makes it harder for an oriental newcomer to penetrate.

The Japanese certainly have their money behind them. But financial services is not a business where success is solely related to muscle power. Even more than in industry, know-how and innovation are key qualities, and both are said to be in poor supply in Japan.

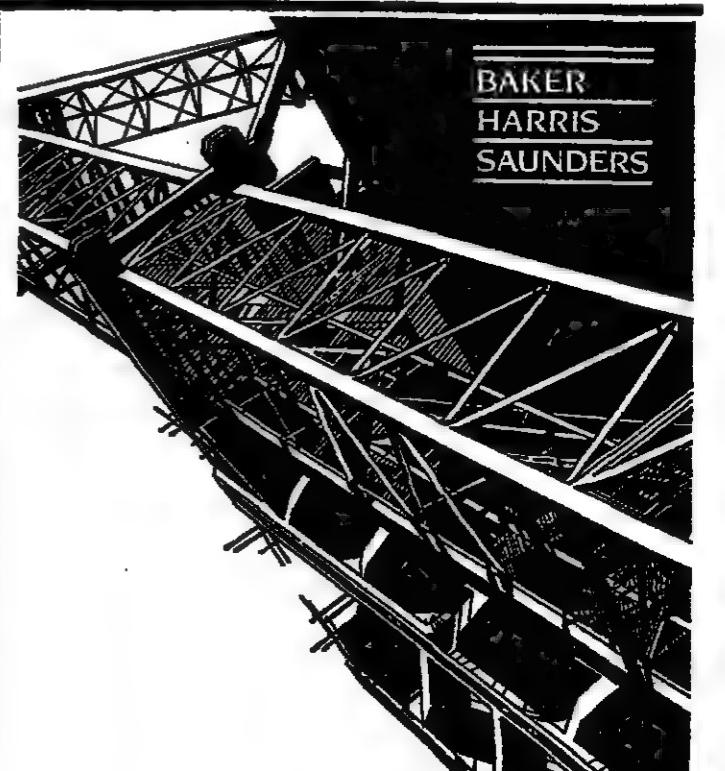
It would be just as dangerous to assume that western banks are not worried about the threat and it is reassuring that western banks are taking the measure of it and that western governments are alert to the political and regulatory implications.

Already the point has been pressed home in Tokyo that Japanese banks will not be welcome unless they operate according to the same financial disciplines as western institutions, and traffic is two-way. Provided these conditions are strictly applied, they should eliminate many of the unfair advantages which Japanese banks enjoy through lower capital requirements and a protected home market. If they are not, then the west will have only itself to blame.

The authors (Mr Pauli is a consultant and Mr Wright a management professor) might describe this review as an example of the very complacency which they say is "our worst enemy." And they may well be right in warning western institutions to close ranks or even form alliances with the Japanese if they want to survive.

But this book skirts the tough questions, and I doubt that many bankers will panic over a threat that is described in terms such as these: "It's big and it's real and it's heading our way fast, and it knows what it wants and might very well just get it. It goes by the name of Nomura Securities, and what it wants is your money, money to buy, money to sell, and above all money to reshape, reform, repackage and resell for more than it cost to produce."

David Lascelles



Latest Developments

Night music

A young Scot, recently arrived in London from Inverness, rang his anxious mother.

"And what are your lodgings like Hamish?" she inquired.

"Och, mother, they're fine except that the man in the room next door spends half the night moaning and banging his head on the wall."

"How do you put up with it?" asked his mother.

"Well... I've tried to ignore it and I just keep up playing my bagpipes until I fall asleep."

Observer



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ECONOMIC VIEWPOINT: THE EMS

Marriage versus cohabitation

By Samuel Brittan

SINCE early March, sterling has fluctuated against the D-Mark within a narrow range of between DM 2.90 and DM 3 to the pound. In more recent months, the pound has usually been in the top half of this range.

This has been a narrower range of fluctuation than moving between approximately DM 2.88 and DM 3.02 which would be allowed if the UK were a full member of the European Monetary System (EMS).

Not surprisingly, some commentators have seen British policy as one of shadow membership, and a few have added the further refinement that the Government has in recent months sought the top end of the range as an insurance against inflationary forces.

The issue of whether Britain is really a shadow member is still to be tested. The Chancellor has been able to avoid the question by referring to the February Louvre agreement among the leading industrial countries to maintain "stable" exchange rates at around recent levels.

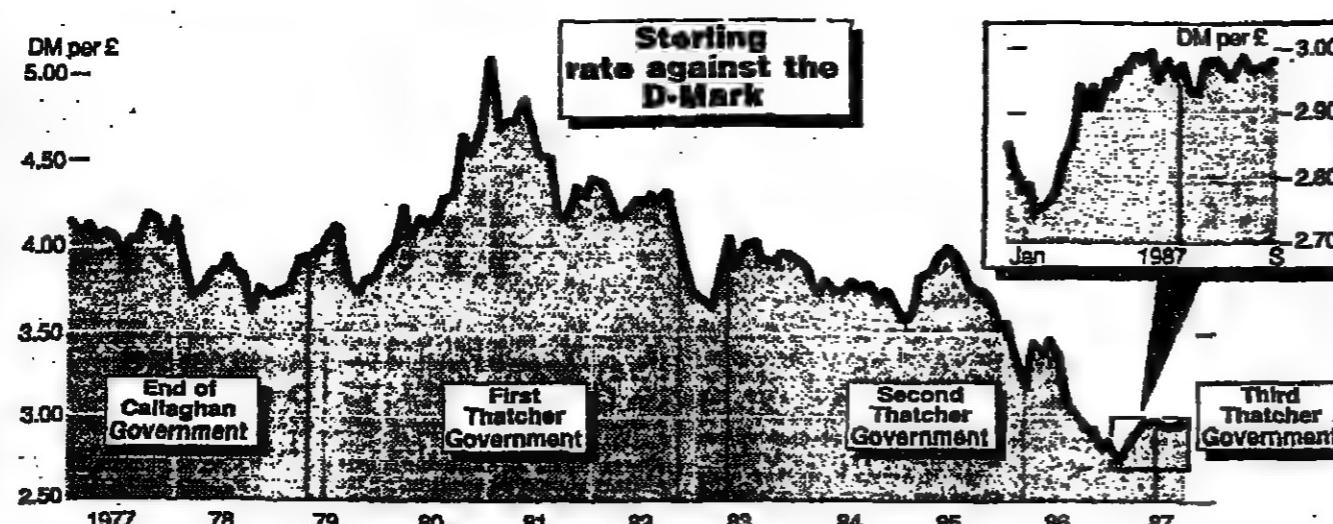
Sterling's variation both against the D-Mark and against "the basket" has since been well under half its variation against the dollar. The shadow policy has enabled sterling to escape some of the dollar's gyrations.

But although the dollar has been under pressure at various times, it has not so far fallen far enough to decisively test whether sterling is being held stable against the D-Mark or against the currency basket, in which the dollar has a 28 per cent weighting.

It is pretty clear that the rate against the D-Mark is at least the most important single indicator that British policy makers look at when they try to ensure that sterling is neither so strong that it endangers the competitive gains from the 1986 depreciation, nor so weak as to accommodate more inflation.

Let us suppose that the Chancellor is able to keep sterling on a path which is compatible with shadow membership of the EMS and which, moreover, is related to the D-Mark rather than to the weaker currencies of the system.

In that a satisfactory way of bypassing the Prime Minister's political objections to full membership? Is indeed shadow mem-



bership even better? Or is, on the contrary, something lost without an official and full-hearted commitment?

For Eurocrats who cheer anything to do with the European Community, the answer is obvious. For those who dislike the Community politically or remain committed to floating exchange rates, shadow membership is at least less than the full variety.

But for those looking at the matter from the point of view of economic policy, the approach must be different. For them the main attraction of the EMS is that it provides a way of re-stating—and enforcing—the medium-term strategy against inflation, in the face of the collapse of the sterling indicator (for a long time the main measure of the UK money supply) within months of the strategy's inauguration in 1980, and the lack of convincing domestic alternatives.

The advantage of shadow membership is that there are fewer headaches to fortune. The Treasury can experiment with membership, but withdraw or change the implicit sterling parity without the loss of political face involved in either leaving the EMS or asking for a parity change in the system.

The disadvantage is the other side of the same coin: less credibility. The very fact that the Government can change its mind if the going gets rough reduces the confidence attached by financial markets to the

sterling of the incipient signs of inflationary pressure, the Government was reluctant to allow the Bank of England to increase interest rates in case sterling rose still further, thus eroding the international competitiveness of British products and putting to jeopardy the new policy of exchange rate stability.

This lack of confidence makes it more difficult to use shadow membership as an anchor for sterling or as an influence on medium-term inflationary expectations.

The absence of a medium-term anchor is of more than symbolic importance. It is reflected in British interest rates being 3 to 5 percentage points higher than West German rates, according to maturity.

These differentials represent the devaluation premium that the foreign exchange markets place on sterling, that is the amount by which international holders require to be compensated against the risk of holding sterling rather than other currencies.

Expectations about sterling are less clearly formulated in the product and labour markets, but they are nonetheless important. Most business-type projections suggest a gradual sterling depreciation against the D-Mark in the years ahead, which accords with industry's instinctive beliefs. If the central expectation moved towards stability, wage settlements would surely be affected, although not of course overnight.

The questionmark about sterling has recently had some paradoxical advantages for the conduct of British monetary policy. When sterling was bang up against DM 3 earlier in the summer, British policy makers faced a dilemma. When, however, as in recent months, the Government wants to raise interest rates, but hesitates for fear of sterling going too high, anything that holds sterling back—such as merely informal EMS membership—is a positive advantage.

The rule of thumb is nevertheless superficial. In Britain's case, a 10 per cent base rate would be very high against an expectation of medium-term

inflation. Companies and individuals are willing to borrow at such rates because they have no substantial and continuing inflation.

If tighter financial policies did their job in puncturing inflationary expectations, nominal interest rates could plunge—and would indeed have to do so to prevent recession.

To summarise: if a government means business about low inflation, the need for high nominal interest rates is abnormal and transitional. Once confidence is built up, sterling should not be expected to depreciate against a low inflation country such as West Germany, and the modest nominal interest rates likely to be associated with a credible EMS commitment would also be appropriate.

British ministers may suppose that German sound money will outlast that time. But this hardly disposes of the matter.

The contrast between formal and informal membership is of course not as stark as practice. British governments can always leave the EMS as they left the gold standard—in emergencies. They can also ask—and obtain—downward realignment within the EMS.

Full membership simply means that sterling depreciation becomes more embarrassing and more difficult, and therefore less probable. It thus becomes rational for markets to bet on a higher sterling rate in the years ahead than they otherwise would.

The main benefits would be felt not on the announcement of membership, but as evidence accumulated that Britain would

maintain its commitments—in contrast to spring 1972 when the Heath Government first joined and then left the European currency "snake" (a precursor of the EMS) within a few weeks.

This article has not dwelt on issues such as credit facilities, intra-marginal intervention or the greater use of the European currency unit (Ecu), itself only a basket of existing national currencies. These facilities can buy useful time and demonstrate Community-wide backing for a currency under pressure. But they can be used up in hours unless domestic policies are adjusted.

Indeed there are positive dangers if credit facilities are taken so far that the EMS ceases to be a D-Mark dominated "European" currency between the strong and the weak currencies. Last weekend's agreement in Denmark probably went to the limit of what can be done to increase the influence of countries outside the West German bloc, without weakening the price stability goal.

A British government aiming at price stability would not have to worry too much about the average EMS inflation rate, so long as West Germany retained low inflation and there was a presumption that sterling would move with the D-Mark and/or would rise only if a weakening West German economy led to rising inflation.

British ministers may suppose that German sound money will outlast that time. But this hardly disposes of the matter.

The moral I draw is that we cannot forever just "leave it to Germany". Coherent guidelines for non-inflationary, but non-restrictive, demand management will be required for the European Community and eventually for all the Group of Seven. At the end of the path lies a world currency linked to a commodity basket.

Thus a pound attached to the D-Mark via the EMS is only the first step towards a policy of stable money. It is a helpful and even necessary step all the same. Attempts to bypass it are likely to be accompanied by higher and more unstable British inflation rates with no output or job gains to show by way of compensation.

Rent controls and security of tenure for private tenants have been modified over the years, but only new changes can be effected by the changed rules. Landlords have noted this and, until recently, they have also discounted the possibility of the return of a Labour Government and the imposition of fresh protection for tenants. The result is a large number of empty or underused properties and a virtual halt to private construction for rent. It would be unethical to remove protected tenancies from those currently enjoying their benefits, and, anyway, the Tory election manifesto promised in June that all existing private and housing association tenants will continue to have their present protection in respect of rents.

JOE ROGALY

When markets don't work

and security of tenure." So another chunk—say a tenth—of the housing stock remains insulated from the market.

As for the Green Belt, those who regard the beauty of the countryside as one of the few compensations for the English weather would rather have the housing market out of shape than encroach on protected land. This is probably a strong majority view, not least among the Government's own supporters, which is why the evident desire of Mr Nicholas Ridley, Secretary of State for Environment, to release broad green acres to the builders can be realised only under the camouflage of weasel words like "suitable" or "planned" development. The land market thus remains distorted and, if we are not careful, the Green Belts will too.

The focus must, therefore, be on those small areas of policy in which real improvements can be made. One set of practical propositions, entitled Inner City Waste Land, was published by the Institute of Economic Affairs on Monday. It is well worth the asking price of £3.50. The authors, Michael Chisholm and Philip Kivell, are talking about some half a million acres of vacant or derelict land in England, much of it in inner cities. That is enough to build two-and-a-half times as many new towns as England now has. They favour short-term planning leases and as derelict land becomes available, the services of urban development corporations, but the real interest lies in their long-term proposals. The price of vacant land would be driven down if it was taxed, and if use-rights lapsed after a while, as planning permission does now. The authors also want to create market transparency by means of public registers of land values, ownership, and current usage. The relaxation of planning controls is thrown in for good measure. Taken together, this package would leave the national housing market distorted, but it would free up the market in derelict land. The only question to ask a Government that says it believes in markets is, why not?

Pointless tax

From the Chairman,
Tax Committee,
Gilt-Edged Market Makers'
Association.

Sir—On return from holiday I have only just read Clive Wolman's article on stock borrowing. "Share borrowing stirs a controversy" (August 18). In the article he remarks that "many institutional investors, including large ones such as British Rail Pension Fund do not lend stock through inertia". In fact, the major reason why pension funds are in most cases unwilling to lend stock is because, unlike other income from investments, the stock lending fees are taxed (generally at 45 per cent). The overall effect of this tax, which includes the administrative overheads involved in reporting the income to the Inland Revenue and paying the tax, is to make stock lending uneconomical for almost all pension funds.

It is pointless to levy this tax, since by its existence it is stifling the pension funds' stock lending activity. It can hardly be increasing revenue collected from the pension funds.

Unfortunately, change in this area seems to be blocked because of more general concern by Treasury Ministers about pension fund taxation. Given the increasing importance of stock lending to the markets, as explained in Clive Wolman's article, there is a clear case for treating income from stock lending in the same fashion as income from investments.

(Dr) Richard Golding,
Kleinwort, Grenfell & Charlesworth,
20 Fenchurch Street EC3.

The health service

From Mr L. Littman

Sir.—The Royal Free Hospital in Hampstead, London, has just closed down one of its two remaining private wards through lack of nursing staff.

This in turn is said to be due to lack of nursing hostels without which nurses find it too expensive to live in London. Yet the Royal Free has ample land on which to build its own nursing hostels, though it shows no inclination to do so.

Despite the Government maintaining that everything in the Health Service is splendid, and its claim that more and more public money is being spent on it, the reality seems to be that more and more of the service is running down and more and more of our highest qualified medical staff are becoming disgruntled with it.

But the Minister and the Government just sit entrenched behind the bland statements of

Letters to the Editor

the NHS bureaucracy that everything is satisfactory and getting better. What kind of explosion of public wrath are they waiting for before opening their eyes to the real position?

L. T. S. Littman,
Abbotsbury, Dorset.

Gas pricing policy

From the Managing Director,
Tunnel Refineries

Sir—in your article of September 14 you state that electric motors are "a measure of indigenous production activity".

It is the industries you quote are typical examples of the major energy users of the UK to whom I have referred in previous correspondence.

Your article provides an excellent illustration of the problems that nations encounter when not paying sufficient attention to their manufacturing industry. It is the seed corn upon which many other industries and financial services inevitably depend. It should be no surprise that we are well behind France, where electricity for major manufacturing consumers is priced competitively. French manufacture of electric motors may be a consequence of a sizeable export business, but that sizeable export business mostly stems from an indigenous manufacturing base.

Am I permitted to say that I rather like New Zealand cheddar washed down with Spanish champagne? All Englishmen (and some Frenchmen) would know exactly what I mean. For an ordinary chap like myself, it is not at all clear why UK could protect foreign trade names of an ambiguous meaning, while giving none to the robust and famous name of "cheddar".

Jeremy Woolf,
60 Rue Victor Lejeune,
1040 Brussels.

Good old measures

From Mr J. Woolf.

Sir—There should be no reason to criticise imperial weights and measures that Mr Footer decries (September 5) as bad for British exports.

Here in Belgium—which is supposed to have been metricated when Napoleon's armies moved in—metres, feet, pounds and other traditional measures are still perfectly fit and well.

In some parts of high technology industries, such as in computing, they are even pushing metric into second rank.

If Mr Footer were to come here by air, say, his aircraft would fly so many thousands of feet high. If by train, the rail gauge would of course be set in feet and inches.

Once here, if Mr Footer were to meet my plumber (and understand his Maroilles accent) he'd learn that pipe diameter measures have to be in inches, though pipe lengths have gone over to metric.

At the street market he would find the pound ("livre"—or "Pfund" over the border in Germany) to be still perfectly well understood even after nearly two centuries of official abolishment.

At the printers, in Belgium, as in the UK, type measures are in "points"—1 point equals 1/72 of an inch. The density of those tiny dots that make up pictures is so many per inch.

Recently the Belgian press is reporting a new front-line fighter proposed to rival the EFA for the Belgian airforce in the 90s expected wing surface areas in square feet. What on earth is the metric equivalent anyway? Squared decimetres?

Personally, when I direct motorists who ask the way, I amuse myself by giving distances in miles. But the point is, I am always understood. Only when once I introduced furlongs did the poor driver look totally bewildered.

In other words, the current swing from imperial to metric measures in the UK serves no other purpose than to follow a fashion. As it's a fashion that easily could change again, it serves no useful purpose.

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Jeremy Woolf,
60 Rue Victor Lejeune,
1040 Brussels.

Tungsten price

From the Chief Executive,
Metal Bulletin

Sir—in your report (Sept 11) on the tungsten meeting in Vancouver, you note that Jocelyn Waller claimed that the Metal Bulletin tungsten price is "vulnerable to manipulation."

I have now been involved with varying degrees of direct responsibility, with the formation of the Metal Bulletin tungsten price, and its use as a reference by the trade, for 24 years. Throughout that time there has always been somebody saying that the Metal Bulletin price is vulnerable to manipulation. I would have thought Jocelyn Waller could have been more imaginative.

You also state that the UK market for electric motors should anticipate some improvement in sales as a consequence of power generation but that the manufacturing industry is not investing in power generation while British Gas pursues its current pricing policy for major users.

You are right. The Royal Free has ample land on which to build its own nursing hostels, though it shows no inclination to do so.

Despite the Government maintaining that everything in the Health Service is splendid, and its claim that more and more public money is being spent on it, the reality seems to be that more and more of the service is running down and more and more of our highest qualified medical staff are becoming disgruntled with it.

But the Minister and the Government just sit entrenched behind the bland statements of

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Voest-Alpine plans weapons plant in Iran

BY JUDY DEMPSEY IN VIENNA

VOEST-ALPINE, Austria's largest state-owned steel and engineering group, already under investigation for allegedly illegal sales of arms to Iran, is negotiating to build a factory in Iran, which will manufacture weapons, possibly cannon.

The company is on a collision course with the Austrian Government, which prohibits the sale of weapons, or the means to manufacture them, to warring nations. Already one of the three government ministries whose permission is needed by the company has said it will stop Voest-Alpine from concluding a deal with Iran.

A spokesman for Voest-Alpine denied that the company was contravening the law.

"When we started the negotiations, we knew that if we won the contract, we would be building a plant, but not a plant which would be used exclusively to manufacture weapons."

Under Austrian law, any company which exports arms or wins a contract to build a weapons factory must seek a licence from at least three ministries as well as the go-ahead from the Chancellor's office in Vienna. Austrian law also forbids Austrian companies from selling arms to countries engaged in war, and constructing factories in certain countries which are "exclusively for the use of manufacturing weapons".

But a spokesman for the Ministry of the Interior said yesterday

that he was surprised that Voest-Alpine did not even apply to seek permission to build the plant in Iran. "Even if they did win the contract, the Ministry of the Interior would not grant it permission," he said.

Voest-Alpine yesterday confirmed that its armaments subsidiary, Noricum, was still negotiating with Iran despite investigations into its alleged illegal export of arms to Iran in 1985 and 1986.

Mr Peter Unterweger, the former chairman of Noricum who started the negotiations several years ago, has been in detention and under investigation for the past two weeks after police searched the company's premises and found documents relating

to Noricum's trading activities abroad.

Austrian officials say they find it "strange" and "puzzling" that Voest-Alpine should continue these negotiations with Iran at a time when Mr Unterweger and several others are under investigation on suspicion of illegally selling arms to Iran. The company, however, continues to state that "it never knowingly sold weapons to Iran".

Asked if it was not unwise to pursue the contract while investigations continued, a spokesman for Voest-Alpine said: "We have to find business. Don't ask me if it is a moral thing to do. But we just can't sit here and wait for contracts to land on our desk."

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Economic projections were upset by an earthquake writes Sarita Kendall in Quito

Ecuador's oil lifeline beats again

ECUADOR IS showing great resilience for a country which has suffered two serious financial setbacks in the last two years.

The sudden drop in oil prices during 1986 and the partial destruction of the transandean pipeline by an earthquake in March 1987 hit the economy where it hurt most - oil earnings fell by nearly \$1bn in 1986, then dried up altogether between March and August this year while the pipeline was repaired.

"If it hadn't been for these exogenous problems we wouldn't have been in this situation now," said Mr Rodrigo Espinosa, the Finance Minister, before starting a European trip to continue discussions on rescheduling the foreign debt.

In spite of this the Government has gone ahead with liberalising the economy, an effort that is recognised in the international financial market."

Mr Espinosa was optimistic about this week's meetings with Ecuador's creditors in Germany, France and the UK. He will be talking to Paris Club representatives, as well as commercial banks on the steering committee.

Early this year Ecuador stopped interest payments on its \$5.4bn owed to the banks and, soon after, the earthquake played havoc with economic projections for 1987. Mr Espinosa calculates the total cost of the earthquake (including reconstruction, loss of income, and damage to roads, houses and local production) at nearly \$1bn.

Although oil is now flowing along the pipeline again, the minister expects this year's growth figure to be negative, and is looking for ways to roll a balance of payments gap estimated at \$650m which also covers the interest and amortisation due to commercial banks.

Before prices plunged, oil contributed about two-thirds of Ecuador's export income. But this year's earnings will be un-



President Cordero: last year in office

der \$800m, representing less than 45 per cent of exports. Stopgap measures after the earthquake, such as the construction of a link to Colombia's southern pipeline, and loans of crude oil from Venezuela and Nigeria, barely served to keep the domestic market supplied with fuel.

Sales contracts are running normally now - we didn't lose many customers while exports were paralysed," said Mr Fernando Santos, the Oil Minister. By the end of this month repair work on the pipeline will be complete - some temporary sections installed in particularly difficult places along the Andean ravine still have to be replaced.

Because the terrain is so unstable, a new pipeline shortening the distance through the foothills to the main production fields may be built. This would provide an alternative route over the Andes, utilising roads and would also benefit companies exploring areas south of the production centres at Lago Agrio and Shushufindi. Talks with the Italian Government, which has offered a soft loan for the construction of the link, are in progress.

Exploration contracts signed

with foreign companies in recent years are already showing promising results. BP is working near the border of a block alongside CEPEL, the state oil corporation. OIL has been discovered on both sides of this border, and there are hopes that further drilling will reveal one big field.

Ecuador is offering five more Amazon plots and a coastal one for exploration in an effort to raise proven reserves beyond the present 1.5bn barrels. The big companies are interested - could be signing new contracts before the end of the year," said Mr Santos.

This year's oil production will be down to about 80m barrels, compared with nearly 110m barrels in 1986. Although Ecuador desperately needs the foreign exchange, daily production will continue to run below capacity - partly because of Opec obligations, and partly to defuse accusations that higher production rates are not technically advisable.

Ecuador does, however, need to increase its present Opec quota of 220,000 bpd. Domestic consumption uses up some 105,000 bpd, and refining capacity will reach 120,000 bpd

when the Esmeraldas plant comes back into operation at the end of this month.

No-oil earnings have been affected by the drop in coffee prices, and, unusually for Ecuador, there will probably be a trade deficit of \$150m to \$200m at the end of the year. In an effort to stop the free market from slipping, the Government recently raised reserve requirements - a measure which was seriously condemned by

Bank of Ecuador. The minister would be closed were it not for a technicality in Takeover Panel rules requiring a shareholders' meeting to approve the sale of part of Mercantile's business to a large shareholder. The Quadrex camp seems justified in believing that Quadrex is exploiting this technicality by bribing shareholders to vote down the deal. If the Takeover Panel allows this sort of hanky panky, no one can tell where it will end.

Cordex admits that the deal is unusual, but argues that the only point of principle raised is that Mercantile shareholders should have the right to decide on how much they should get for the sale of a major asset. But after all, Quadrex had more than enough time to top Quadrex's bid before the auction was closed. The bank thinks it would be for the Takeover Panel to scrap next Monday's special meeting, otherwise the overdue breakup of Mercantile House is going to be put off indefinitely.

All this will help close the balance of payments gap, and it is hoped that the Government's tight monetary policies, combined with measures to free the exchange market and reduce import tariffs, will be rewarded by Ecuador's commercial creditors.

The banks' response to the country's problems has been "very positive", according to Mr Espinosa, who does not foresee any major obstacle to an IMF agreement.

The minister is cautious about dates and terms, although an IMF mission is to visit Quito in October. With congressional and presidential elections scheduled for January 1988, political energies are focused on candidates and campaigns. But the more serious contenders are also watching the debt negotiations anxiously as they calculate the financial fate of the economy they might inherit.

A brilliant financial manoeuvre, or a desperate spoiling tactic? Quadrex's last minute decision to top Quadrex's offer for Mercantile House's wholesale broking division by offering shareholders an extra 10p looks at first glance like a routine financial transaction. But then, the bulk of Mercantile House's shareholders have already accepted an offer from British & Commonwealth involving the sale of the businesses in question to Quadrex.

Quadrex, which was the biggest shareholder in Mercantile before B & C came along, has been trying for months to sponsor a management buyout of the money broking operations but was pipped at the post by Quadrex. The latter would be closed were it not for a technicality in Takeover Panel rules requiring a shareholders' meeting to approve the sale of part of Mercantile's business to a large shareholder. The Quadrex camp seems justified in believing that Quadrex is exploiting this technicality by bribing shareholders to vote down the deal. If the Takeover Panel allows this sort of hanky panky, no one can tell where it will end.

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At yesterday's close of 119p, the shares are probably looking less to an increased bid - though that is technically feasible - than to the chances of minority holders prospering under Equicorp management. Investors in the Channel Tunnel meanwhile, seem assured of Mr Morton's undivided attention in future.

Coats Viyella.

Some industrialists fear Mr Schwarz-Schilling may have in mind a mere streamlining of Bundestop efficiency when he spoke of restructuring yesterday. Critics say the intention is simply to deregulate and not deregulate the market. The report's recommendations themselves have been considerably watered down in the past six months to satisfy conservatives and left-wingers on the Commission.

The minister said he was relieved the Commission had recommended that the Bundestop retain its monopoly over the telecommunications network but did say he agreed that the equipment market should be opened.

He also said he wanted to introduce significant cuts in the volume tariffs on lines leased to major customers by the Bundestop.

The tariffs are controversial because they came into effect after the leased line has been used for only 80 hours a month and make leasing lines roughly four times dearer than in the UK.

He agreed with the Communists that the subsidising of the postal service by the telecommunications should stop but was less than enthusiastic about splitting up the Bundestop into a separate postal service, a telecommunication operator (Telekom) and with the Ministry performing merely a watchdog role.

The Finsider plan is likely to envisage a cut in total employment to just above 50,000 from the current level of 77,000. This will involve a strong tussle with the Government since cuts of 50,000 over the last six years have been achieved only through early retirements and voluntary redundancies. But there is little optimism at Finsider that further cut can be achieved without dismissals.

As parliament opened, some 300 deputies received a letter from a group of leading Hungarian intellectuals calling for a greater "democratisation" of political and economic life. The influence of the market on them. He urged greater "socialist democracy", including more openness in politics and the economy.

The ornate, brilliantly lit neo-Gothic legislative chamber contrasted dramatically with the depressing economic and political message. Mr Grossz said the political mood of the population was "much worse" than a few years ago. Confidence in the Government had declined and there was a danger of an increase of extremism.

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One slightly dubious way of achieving these will be through selling plant and equipment to the private sector

over personnel appointments, as well as a setback for West Germany. However, Chancellor Kohl is believed now to be most keen on obtaining the post of Nato secretary-general for his Defence Minister, Mr Manfred Woerner.

The vote in the Commission

on Mr Williamson's appointment

was by 12 votes to two, the latter being abstentions.

The two negative votes were understood to be those of Mr Karl-Heinz Narjes, the senior German Commissioner, and Mr Claude Cheysson, the former French Foreign Minister.

THE LEX COLUMN

A last throw from Crownx

scope to improve those further and lower interest charges. The prospect of nil gearing by the year end after capital expenditure of £100m is impressive. Costs can easily finance the small acquisitions with which it may now be content.

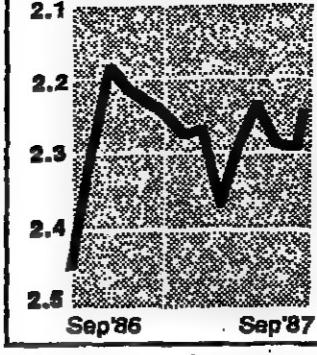
If profits top £220m in 1987 multiple is up to 13, with the share up 13p to 373p yesterday, and in 1988 it should fall to under 11½. The rating of the company and the sector, is overcounting fears of US protectionism on textiles and paying too little respect to improved management.

The journey from incipient banana republic to near-balanced budget in one year has, understandably, sent the Australian equity (and bond) market on a merry up-and-down dance supported by good-looking economic statistics and company results. But the carefully nurtured budget surprise serves as a metaphor for the whole economy: impressive progress, insecurely based. This view, which rests on the apparent budget benefits from asset sales and the worryingly optimistic forecasts for investment, inflation and the terms of trade, will be confidently dismissed by the market in the short-term. But watching the Labour Government negotiate its eight-ropes - now strung even higher by the budget ambition - could make for nervousness next year.

The apparently virtuous circle of lower interest rates helping to push the dollar up - thanks to the inflow of foreign funds - depends on the hot money not fleeing to the US as soon as rates start moving up. It also stimulates renewed anxiety about the current account. While profit forecasts are being marked up, this view may seem rather churlish, particularly to those London investors who have missed out on the latest surge fearing their historically high exposure. The budget comments on the corporate and property tax structures, along with lower interest bills, should also keep Australia close to the top performing market by speeding the baton change from resources to industrial stocks. But although changes to superannuation schemes may stimulate more local investment, the leading multinationals have run ahead of the rest largely due to foreign interest. Maybe the Government will now be able to devote more effort to stimulating domestic investment.

Australian Dollar

against Sterling (AS per £)



Sep 86 Sep 87

UK growth in economy forecast

Continued from Page 1

will grow by as much as 4 per cent in 1987 against its budget forecast of a 3 per cent rise.

The buoyancy of the economy and a sharp rise in privatisation receipts are the key factors behind the strength of government revenues shown in yesterday's figures for the public sector borrowing requirement in August. The PSBR during the month was £750m against a general City expectation of £1.2bn.

The Treasury yesterday sought to dampen optimism over the outlook for the economy because of its concern not to provide ammunition to spending ministers in their current negotiations on their cash limits for the next three years.

Bids from spending departments already exceed the official target for 1988-89 by several billion pounds, and the latest figures will encourage the departments to press those demands. The Treasury would like to see a further cut in the borrowing target in 1988-89 rather than extra public spending or a massive tax giveaway.

A spokesman stressed that at this stage in the year, the PSBR is still subject to considerable uncertainty.

Hungary proposes economic reforms

BY LESLIE COLLIOTT IN BUDAPEST

HUNGARIAN leader Janos Kadar yesterday admitted personal responsibility for "serious" economic mistakes in the past and urged Parliament to adopt the Government's severe austerity programme and wide-ranging economic reforms.

The Government package, presented by Mr Karoly Grosz, the new Prime Minister, called for the reversing of Hungary's large trade deficit with the West, which reached \$40bn last year, in order to reduce the country's soaring hard currency debts.

Earlier, Mr Grosz, who came to office three months ago, told the opening session of parliament that the nation's net debt to the West had risen to \$3.5bn, double its annual hard currency exports. Interest payments alone amounted to more than \$300m annually.

He said that in attempting to halt the rise in indebtedness the Government aimed to achieve a positive balance of trade next year. This would require a rethinking of objectives, as well as greater efficiency and discipline.

Mr Grosz noted that the Government wanted to strengthen the autonomy of companies and

the influence of the market on them. He urged greater "socialist democracy", including more openness in politics and the economy.

The ornate, brilliantly lit neo-Gothic legislative chamber contrasted dramatically with the depressing economic and political message. Mr Grossz said the political mood of the population was "much worse" than a few years ago. Confidence in the Government had declined and there was a danger of an increase of extremism.

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300 deputies received a letter from a group of leading Hungarian intellectuals calling for a greater "democratisation" of political and economic life.

One slightly dubious way of achieving these will be through selling plant and equipment to the private sector

Finsider seeks \$3.8bn state aid

Continued from Page 1

may be equally cautious, limiting itself to setting out various options. These are bound to include, however, the highly contentious closure of the modern power station at Bagnoli in Naples, which employs around 3,500 people.

The Finsider plan is likely to envisage a cut in total employment to just above 50,000 from the current level of 77,000. This will involve a strong tussle with the Government since cuts of 50,000 over the last six years have been achieved only through early retirements and voluntary redundancies. But there is little optimism at Finsider that further cut can be achieved without dismissals.

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SECTION III

FINANCIAL TIMES SURVEY



Financially, it is Germany's dominant city. It is also its advertising capital and home to major

industries. Frankfurt has suffered from an image problem, however, which it is now trying to tackle. Andrew Fisher looks at this energetic, if somewhat unattractive, city

Lots of verve if not style

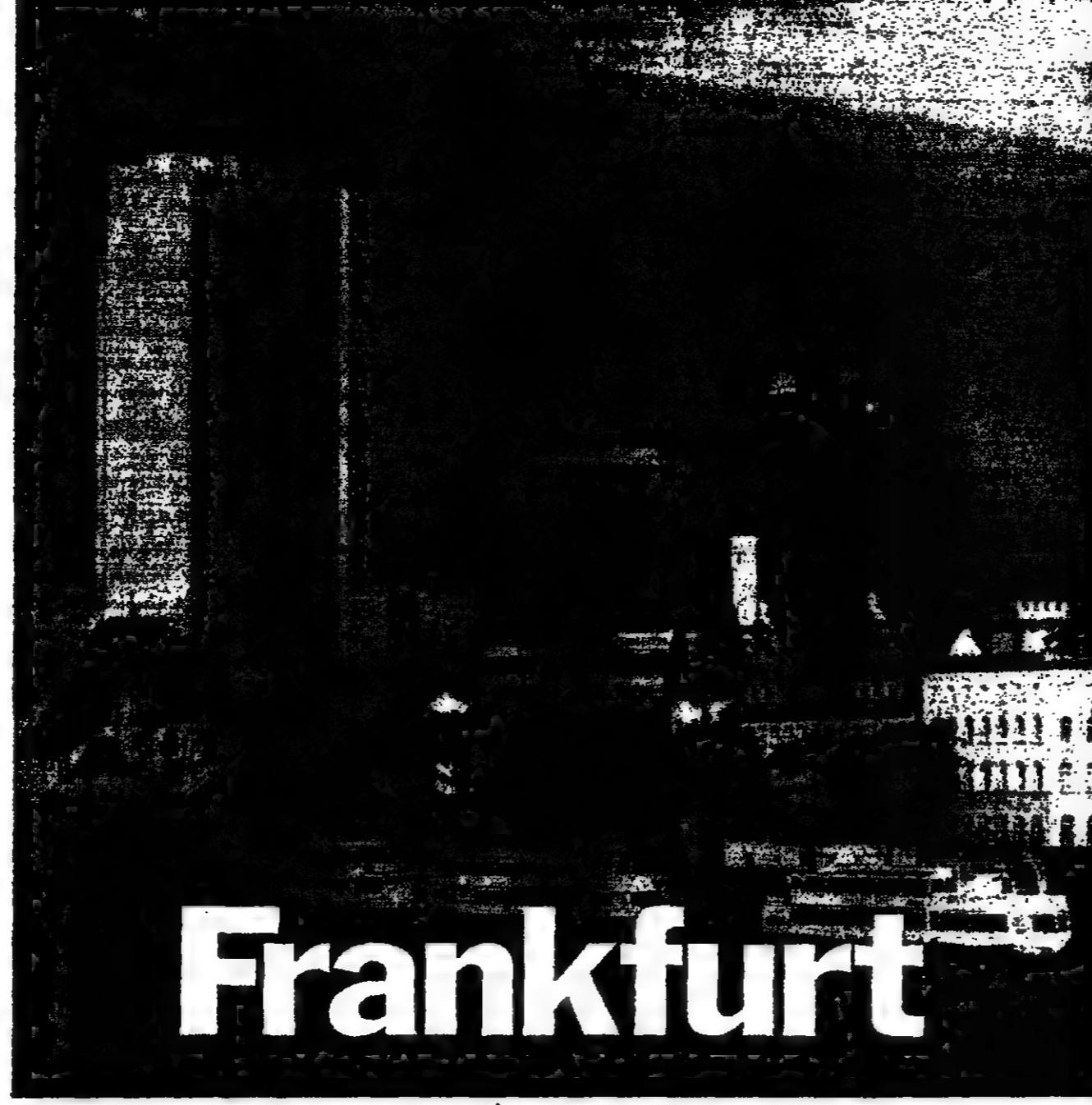
SEEN FROM the motorway that runs from the rolling Taunus hills to the north, Frankfurt's skyscrapers appear to soar in a great commercial icon with a sureness and arrogance that shocks more of North America than western Europe.

No other West German, or even European, city has such a contemporary skyline rising up from its centre. While not exactly beautiful - some of the buildings are downright ugly - the total effect is certainly striking.

For what this modest-sized city of just over 600,000 people on the River Main may lack in style, flair or conviviality, it makes up for with an abundance of business energy, cultural vitality, and appetite for enjoyment. Financially, it is Germany's financial capital, housing its central bank, the headquarters of the big three commercial banks, a host of foreign investment institutions, and the largest stock exchange. Just over a fifth of its population is foreign, the highest proportion of any German city.

It is also Germany's advertising capital and home to some of its major industrial corporations like Hoechst chemicals; I.G. Metall, the largest trade union in the western world, is based here, as is the German Football Association, with four

painful recent past, as well as



No other West German, or even European, city has such a contemporary skyline rising up from its centre

Frankfurt

mer midfield star Franz Beckenbauer running the national team. The city is the site of the country's second largest industrial fair (and the world's most famous book fair) and its airport is the busiest in continental Europe.

Yet officially, Frankfurt is not the capital of anything. Just as it was gearing itself up after World War II to become the new Government centre of the fledgling Federal Republic, the prize was snatched away by Bonn, a sleepy little town on the Rhine. And Wiesbaden, with

more gracious style and elegance but less pace than Frankfurt, is the administrative centre of the state of Hesse.

Now has Frankfurt been an automatic stop on the tourist circuit through the plenty of Goethe and Rothschild and more people are now stopping off to take a look. It was so badly bombed near the end of the war that its well-preserved medieval heart virtually disappeared.

Today it is a mixture of (mostly restored) older buildings, squat and utilitarian post-war structures and the newer and occasionally more impressive skyscrapers.

In appearance, therefore, Frankfurt has suffered from its painful recent past, as well as

from its own over-hasty rebuilding efforts. Its sheer commercial robustness has not always recommended itself to visitors, and such inner-city flights as drugs and crime flourished.

Neatly describing its poor image, John Arndt also coined poetically in his recent book, Germany and the Germans, that this was not entirely deserved. "The town's general reputation for mercenary brashness has given it a bad name around the world. It is considered soulless, characterless, too materialistic, too Americanised, especially by older people who remember the pre-war Frankfurt as one of the largest and finest medieval

centres in Europe."

Admitting that Frankfurt was

train links were being built, it was constantly being disrupted by youthful left-wing示威, and such inner-city flights as drugs and crime flourished.

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centres in Europe."

Clearly, Frankfurt would not top most people's lists of where to go in Germany. It is a city based on work and money. It lacks the elegant dignity of Hamburg, the northern port city; the hedonistic chic of Munich in the south; the chirpiness of Cologne on the Rhine; or the sleek style of Dusseldorf in the Ruhr. While it has plenty of life, its soul is not easy to find.

Frankfurt does not have the grand boulevards and broad shopping avenues which distinguish other European cities. True, its main shopping street, Zeil, has the highest turnover in the country. But it is architecturally bleak. Nor does the small Goethestrasse, with its ex-

Domestic banks:	Frankfurt is the home of the Bundesbank
Foreign banks:	The majority of banks in the city are foreign
Stock exchange:	One of the oldest in Germany
Profile:	The President of the Bundesbank, Karl Otto Pöhl
Profile:	Frankfurt and its mayor

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The city is planning well ahead	3
Manufacturing:	The area is a centre for manufacturing
Airport:	A place to shop, as well as catch the plane
Profile:	Hoechst, the world's largest company in chemicals
Where to go and what to see	5

pensive boutiques, exactly radiate charm.

In the past, Frankfurt has often been called Germany's secret capital. Nearly 1,200 years old, Emperor Charlemagne held a symposium at "Villa Francorum" in 794, though Romans had settled earlier - it became the place where emperors were elected and a flourishing centre of trade and commerce. As well as a strong cultural tradition, its people also developed an instinct for politics.

It was in Frankfurt that the liberally-intentioned National Assembly met to form a pan-German state in 1848, the year that republican feeling swept Europe. Instead, Bismarck's Prussia came to dominate North Germany, including Frankfurt which lost its status as a Free City in 1866. So upset was the mayor of the time at this loss of status that he took his own life. Later, in 1871, the treaty ending the Franco-Prussian war was signed here.

Today, you have to look hard for signs of Frankfurt's colourful past. Allied bombs destroyed or damaged 80 per cent of its buildings in 33 bombing raids between 1940 and 1944, leaving 17m tonnes of rubble. March 1944 saw the most devastation with several hundred British bombs wiping out most of the centre in one night.

After the war, Frankfurt became the headquarters of the US occupation forces, who based themselves in the building of I.G. Farben, the chemical combine which was split into three. Rebuilding began quickly, too quickly in the view of many who resent the faceless concrete city that Frankfurt quickly became.

But its character had already been changed drastically before the bombing. Under Nazi racism, Frankfurt's Jewish population, active in business, culture and science, was sharply reduced. Before the war, there were 30,000 Jews in the city, more than in the whole of West Germany today. Frankfurt's present Jewish inhabitants number 6,500.

For those charged with governing the city, the demands have sometimes seemed superhuman. Frankfurt used to be called ungovernable. Several post-war mayors died in their offices, though job stresses were not the only reason. After the strenuous efforts of post-war recovery, the city became a centre

of left-wing agitation in the 1960s. That has died down, but only a few years ago there were violent demonstrations against the construction of a new airport runway.

In the 1970s, houses in the now-fashionable West End district were occupied by squatters determined to see that speculators did not tear them down and put up new office blocks. Conflict has never been very far away in Frankfurt's past or recent history. A few months ago, the plate-glass windows of several bank branches in the centre were smashed by demonstrators showing sympathy with French students.

Frankfurt has a large university, with a strong left-wing tinge. Politically, however, the scene has been peaceful ever since the conservative Christian Democrats (CDU) won control from the Social Democrats (SPD) in 1977. Under its new mayor, Walter Wallmann (now Prime Minister of Hesse), Frankfurt seemed to blossom. It became greener, quieter, and pleasanter. The bombed neoclassical Opera House was expensively renovated. Pedestrian areas were created. The medieval houses near the Roemer square near the river were finally rebuilt. And the city now has an attractive line of museums on the Main's south bank.

Wallmann exercised a soothing influence on a bruised city. Some of the way had been paved by his predecessor, Rudi Arndt of the SPD. But Arndt never managed to live down the image of "dynamite Rudi", stemming from an unguarded moment when he suggested the long-debated issue of the Opera House could best be solved by blowing it up.

Today, the building gives Frankfurt a much-needed architectural and cultural focus. Showing that culture and finance are never far apart in this money-conscious city, the elegantly twin towers of the Deutsche Bank headquarters are just a stone's throw away from the world below.

For wealth, personal or corporate, is not seen as something to be flaunted in Frankfurt, though it is there in plenty. "It was never a disgrace to be rich in Frankfurt," said Walter Heselbach, former chairman of the Bank für Gemeinwirtschaft. "But it was always considered bad taste to make a show of one's wealth."

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FRANKFURT 2

Domestic banks

Others follow to home of the Bundesbank

BONN MAY BE the political citadel, but Frankfurt is undoubtedly West Germany's financial fortress. That dominance, established after the Second World War, has sharply increased in the past two years thanks to the Bundesbank's step-by-step reform of Germany's capital markets and international investment bankers' increasing appetite for representation in the world's main markets.

Add to that Germany's status as a leading trading nation, the Deutsche Mark's traditional strength, and its increasing de facto role as an international reserve currency - once restricted strictly by the Bundesbank - and the importance of a Frankfurt presence becomes all the clearer for domestic and foreign banks alike.

Though Frankfurt was known for private banking in the nineteenth and early twentieth centuries, Berlin, Hamburg, or the fast-industrialising Rhineland were where the real banking action tended to take place.

Frankfurt really came into its own as a domestic banking centre after 1945. Its convenient location at the centre of Germany persuaded many domestic banks to establish their new headquarters on the Main. Some were also influenced by the fact that Bonn was intended to be a temporary capital only, pending a final decision on a new site, which most expected would be Frankfurt.

The city was also boosted by the decision to set up the Bundesbank in Frankfurt. Last month the central bank celebrated its thirtieth birthday here.

So it is no surprise that the present towering headquarters of Deutsche Bank, Dresdner Bank and Commerzbank - Germany's three biggest private-sector banks - should now be Frankfurt landmarks. Indeed, it is hard to imagine them anywhere else.

But the big three are by no means alone here. Deutsche Siedlungs- und Landesbank, the state-owned financial institution which is now a commercial bank in all but name, DSL Bank is to establish a small 10-man securities trading office. Bankhaus Lampe, based in Bielefeld and 25 per cent owned by DG Bank, is taking the same step. So too is Hamburg-based Ver-

acity control to the Aachener and Muenchener insurance company earlier this year.

Frankfurt is also the home for Hessische Landesbank (Hela), the main public-sector bank for the state of Hessen. Though Wiesbaden is closer to the coast, it is actually the state capital. Frankfurt is by far Hesse's biggest city and the obvious choice for Hela's HQ.

All Germany's leading regional banks play a significant rôle in Frankfurt operations. Cologne-based Westdeutsche Landesbank has a large branch, while the big three Bavarian banks, Bayerische Vereinsbank, Bayerische Hypothekenbank and Bayerische Landesbank, are also active.

For some time, Bayerische Vereinsbank has been sitting on a prime piece of real estate in the middle of Frankfurt's main banking avenue. After repeated denials, it recently announced that it intends to develop the site and shift much of its investment banking and securities operations to Frankfurt. The bank is only bucking the trend in that its planned building will be a mere 12 storey tower on a street that is turning into Frankfurt's Manhattan with its towering banks.

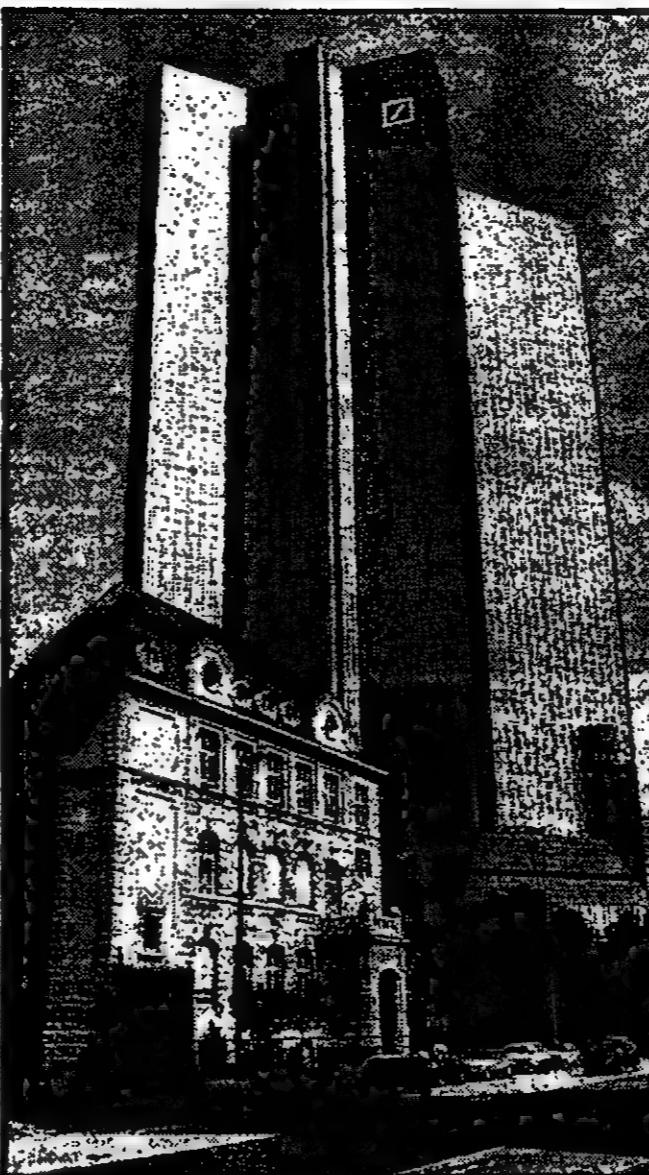
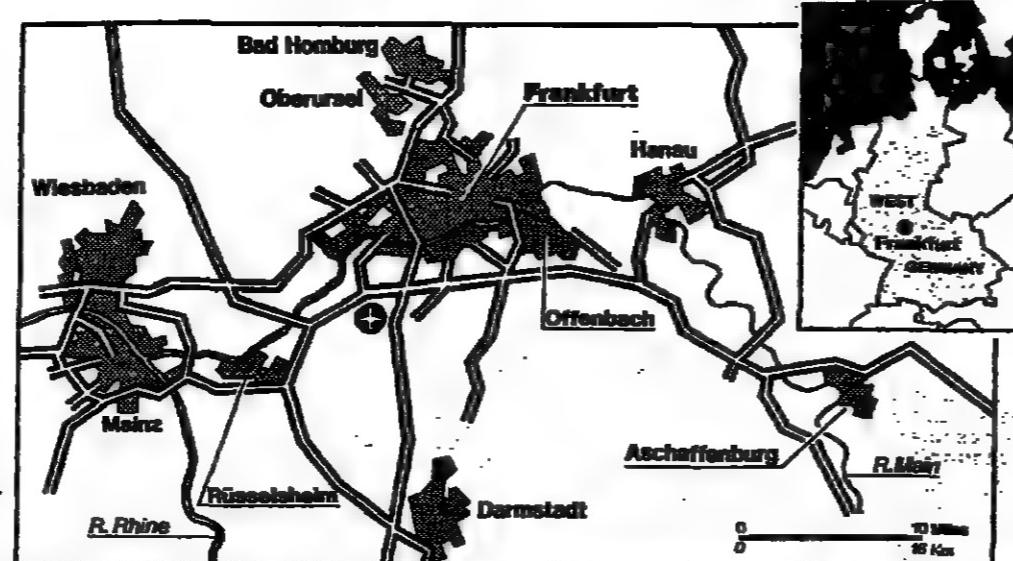
Indeed, the decision of a string of smaller regional banks to set up new trading and investment banking operations in Frankfurt has been one of the most interesting developments on the domestic banking front in recent months.

The soaring value of shares in 1985 and 1986 probably helped to strengthen Frankfurt's hand, as did the vast growth in federal government bond business. Though both markets have been highly influenced by the weight of foreign buyers, almost every domestic bank with serious pretensions in securities now feels it needs to be represented in Frankfurt too.

Of course, German securities can often just as well be traded on whichever of the eight regional bourses is most convenient for a given regional bank. But executives in many houses have come to recognise the advantage of being here not just to trade stocks, bonds and foreign exchange, but also to have a listening post for picking up the latest news and market gossip.

Hilg Simonian

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FRANKFURT 3

Andrew Fisher profiles Bundesbank President Karl Otto Poehl

Playing a key world role



IN THE 10 years that Karl Otto Poehl has been in Frankfurt as President - nearly eight as President - he has brought a new, more open style to the West German Central Bank. (It received an unexpected test last month when one of his secretaries was investigated for alleged co-operation with a fugitive foreign exchange dealer sought in connection with the Volkswagen currency fraud.)

It is not necessarily a style all find suitable. German bankers in general tend not to be the most outgoing of people, and some have found Poehl rather lightweight. But his easygoing, pragmatic approach has mostly gone down well at home and abroad, contrasting with the image of central bankers often convey. Now, coming in for a hard time again, Poehl will continue to play a key role on the world's stage.

Frankfurt and its mayor

Planning well into the future

Loyally, Poehl claims not to



Mr Wolfgang Brueck

be bothered by what many see as the innate conservatism of the big German banks. "I've no complaints," he says. "They have built up their foreign activities, he points out - last year, Deutsche Bank paid \$602m for Banca d'America e d'Italia - and have a strong financial basis, with a generous measure of hidden reserves tolerated by German accounting laws.

Also, the big German universal banks encompass a variety of activities like investment banking and industrial stakes that are not permitted in, say, the US. "So German banks do not have to jump into every new innovation."

Having set the signal at green, the Bundesbank has to wait and see how markets develop. Poehl is keen that Finanzplatz Deutschland (Germany as a financial centre) should continue to grow, despite vigorous competition from London, Paris, Zurich and Amsterdam. "It is an important economic factor for Frankfurt and for Germany."

Yet Germany is subject to strong centrifugal forces from its individual states, inevitable in a country with no big capital city like pre-war Berlin. "In Germany there is always a certain tendency to regionalism, which can become mere provincialism," he says. "So while Frankfurt has become the dominant banking centre, the stock exchange structure remains decentralised.

Provincialism also has a more direct bearing on the workings of the Bundesbank, which is largely independent of the government. Key policy decisions like discount rate changes are made by an almost unwieldy central bank council of 17 people. Of these, 11 are from the states and are often more aware of domestic factors than the broader international picture.

For someone like the image-conscious Poehl, who enjoys his place on the world business scene, a domicile in Berlin in the Bundesbank council or the conservative press must be frustrating. This has definitely been the case in the debate over whether money supply should be allowed to keep rising above target.

The steep rise now easing has stemmed from the need to keep exchange rates stable in the face of past speculative inflows. Raising money supply back to sharp could unsettle the fragile economy. To Poehl, money supply - the main yardstick is central bank money stock - is only one indicator in any case "and should not be regarded as an absolute". So far, the strong Deutsche Mark and low oil prices have kept inflation at bay.

Meanwhile, whatever its present physical shortcomings, foreign banks and securities companies have been drawn to the Frankfurt exchange in the past two years. Overseas money has largely been behind the climb in West German share prices since 1985, while foreign now account for well over half of new federal government bond issues. So it is no surprise that non-German securities houses have been keen to be more closely involved in the business.

The Frankfurt market is one of the oldest in Germany, writes Haig Simonian

Change at the exchange

ONLY THE cranes towering above it give some idea as to where the DM60m currently being spent on renovating the Frankfurt stock exchange is going. Otherwise, apart from some unseemly temporary offices blocking its facade, it is business as usual at the hour.

The Frankfurt market is one of the oldest in Germany, dating back over 400 years to the days when the city was a key trading centre for merchants from Germany's myriad principalities and further afield - who met conveniently on the banks of the Main to fix exchange rates and trade their goods.

Things have changed a lot since, though some local money people think they have not gone far enough. Ripping out the insides of the exchange to make more space is a start. Developing new markets - for example in financial futures and options - is further step. But the pessimists are worried that even those may not be enough to prevent business slipping away to other centres, notably London, because of continuing obstacles like Germany's stock exchange turnover tax.

Others in Frankfurt are tempted to sit on their laurels. The market is already the biggest in West Germany, they say, although share prices since 1985, while foreign now account for well over half of new federal government bond issues. So it is no surprise that non-German securities houses have been keen to be more closely involved in the business.

Stock exchange business in Frankfurt is no longer the pre-

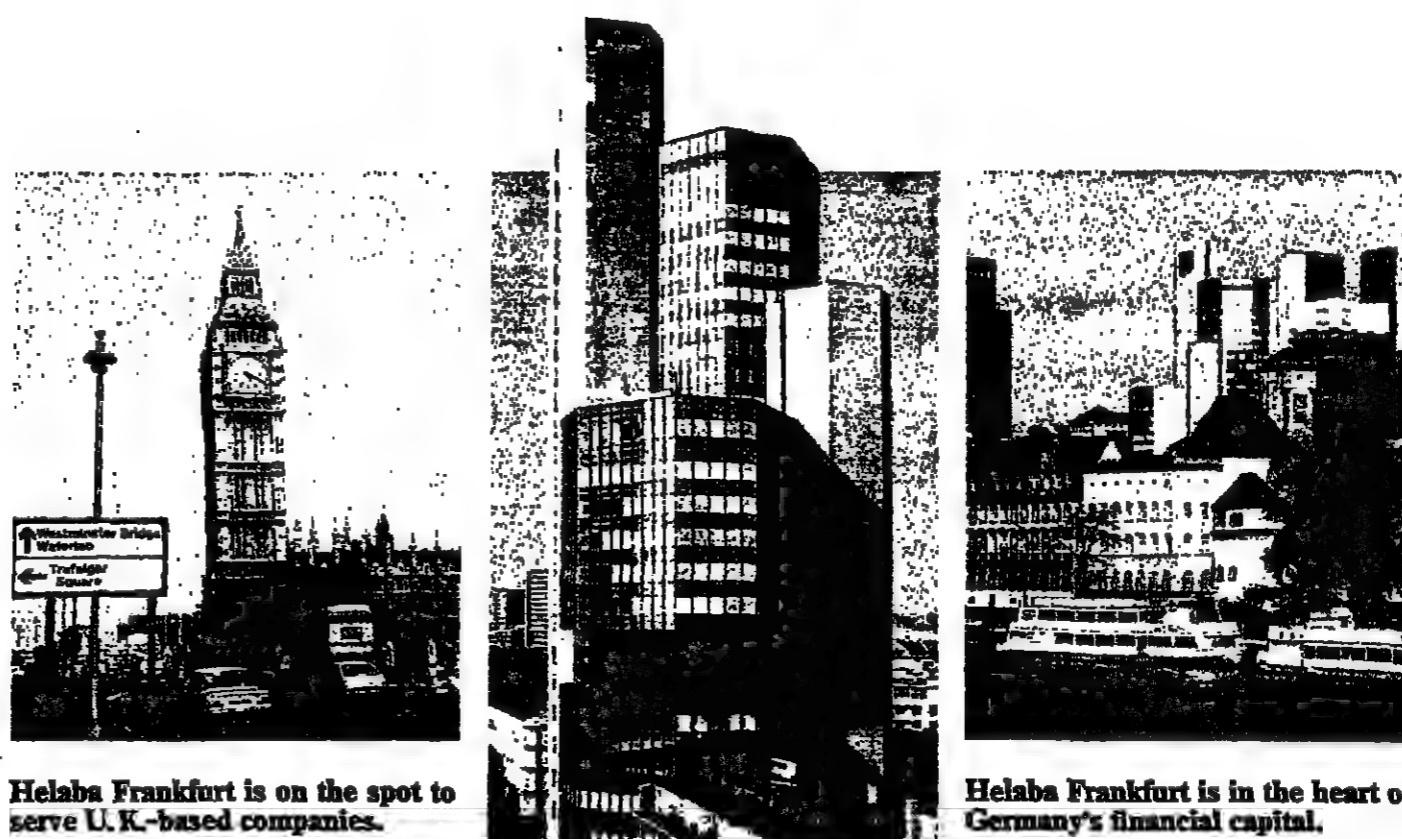
serve of Germany's small private banks, which have declined sharply in number, especially since the 1930s, when many Jewish private bankers fled abroad.

Admittedly, there is still an active trading floor, unlike post-Big Bang London. Rather than trading via specialist market makers, German stock exchanges use a matched bargain system to set share prices when buy and sell orders are brought together during their short official opening periods. But anyone coming on the wrong side of 11.30 - when official trading opens - and 1.30, when it closes, is in for a let-down. Outside those times, the market is utterly quiet, with trading taking place over the phone between banks and dealers.

Some, such as Mr Michael Hauck, the chairman of the Frankfurt stock exchange, are firm believers in the existing system on the grounds that it offers greater transparency than existing market makers. Moreover, they argue that the transparency it offers means control by outside regulators can be kept to a minimum.

But Frankfurt dealers may in time have to get used to a new way of doing things if plans for a new competition-needed options market come off. Matched bargains are no use for equity options, which need continuous trading in the optionable shares and a system of specialist market makers. If a new options market ever opens, then banks may in time wonder whether physical equity trading should go the same way.

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FRANKFURT 4

Manufacturing

A centre for industry

FRANKFURT IS not all banks, bonds and bourse trading. It also makes things. The city lies in the centre of a major industrial region, which houses some of the biggest, best-known and most international manufacturing concerns in Germany.

Along the bank of the River Main is the headquarters and plant of the largest chemical concern in the world, Hoechst. AEG, the electrical and electrical concern which is now part of the Daimler-Benz group, also has its base in Frankfurt. Metallgesellschaft, rapidly expanding its worldwide mining and metals activities, is in the city, along with Lurgi, its engineering subsidiary, as are metal and chemical firms Degussa and Rueterwerke.

Within easy reach of Frankfurt are Wiesbaden, Mainz, Offenbach, Hanau, and Darmstadt, all towns in their own right with a variety of industrial activity. Opel, the big car company owned by General Motors of the US, is based in Rüsselsheim, to the south-west of Frankfurt. Linde, the engineering and industrial gases company, has its headquarters in Wiesbaden.

The history of this century

altogether, the Rhine-Main area provides industrial jobs for 650,000 people. In Frankfurt itself, there are some 100,000 jobs in industry, about twice those in banking and finance. Hoechst accounts for over a quarter of these.

Having started research and wholesale activities, Frankfurt is the largest chemical site in Germany. The towns dominated by the other two big German chemical groups, Ludwigshafen (further south with BASF) and Leverkusen (to the north) with Bayer, are one-company towns without the wider spread of activity the industry has in and around Frankfurt.

Frankfurt has always looked beyond its regional and national borders, with a tradition in trade and industrial fairs going back several centuries. But it was not always so industrially minded as today. Before Germany was split into two after the last war, it was the Berlin stock market that was the most prominent dealer in industrial shares. Frankfurt was more interested in bank and road stocks than in manufacturing.

Other key industries in and around Frankfurt are electron-

ics, engineering and foodstuffs. Export by the 2,000 industrial companies in the Rhine-Main area exceed DM25bn, nearly a third of their total turnover of around DM90bn. Leading the export field is the chemical sector, followed at some distance by engineering, and the electricals and electronics industry.

Foreign companies, notably from the US and Japan, have

come to the area in force. Britain's Davy Corporation owns Zimmer, a Frankfurt-based company which specialises in building plants for polymers and fibre manufacture. Showing the emphasis on technology and science-based activities in the region, a quarter of Zimmer's 500 employees work on research and development - more than in any other Davy operation.

Next to the manufacturing heavyweights is a thriving advertising industry, bigger than those of Duesseldorf or Hamburg. Frankfurt is the advertising capital of Germany, with around 300 agencies employing 10,000 people and accounting for 40 per cent of the country's total billings.

It is also a leading newspaper city, with two major dailies - the severe Frankfurter Allgemeine Zeitung (circulation 340,000) and the more snappy Frankfurter Rundschau (190,000) - and the Frankfurt edition of Bild (225,000), whose stories scream out from the page. A special newspaper, Hurriyet, is produced for the large number of Turkish workers in Germany, while the securities industry

has its own, often impenetrable, daily, the Boersenzeitung. Also printed in Frankfurt is the international edition of the Financial Times.

Keeping the environment clean is also costly, and the Greens have been loudly critical of the chemical companies as polluters. Pesticides, the industry has been defensively explaining its pollution record.

Andrew Fisher

Andrew Fisher

IF YOU are short of something to do on a rainy day or dull weekend you could take in a feature film (English or German language), prop up a bar, eat some Italian or Chinese food, or just settle for a Big Mac. Or you could dress up for a wild night out at a fashionable disco.

What's new in Frankfurt could you do all this plus pick up some last-minute shopping at times when most stores are shut? The answer is at Frankfurt airport, which claims to have enough facilities to support a town of 100,000 people. There is even a Harrods mini-store, the only one outside London, apart from one afloat the QE2.

English expatriates, nostalgic for the mixture of news, scandal and sport that makes up the Sunday papers can usually pick them up at the airport. In fact, weekends and holidays are some of the busiest times, not just because of passenger traffic. There is simply so much to see and do. Apart from shopping, you can have your hair done, play slot machines, buy a lottery ticket, go spiritual rest after all this, you can visit the chapel.

Talking strictly business, however, the airport is not only the busiest in Germany, but also in continental Europe. It is second to London's Heathrow in terms of passengers (and thirteenth in the world), but outdoes it in freight, where it is number three internationally after New York and Los Angeles.

With 41,000 employees, nearly 8,000 working for the airport company itself, it is the biggest job provider in the state of Hesse, ahead of Opel cars and Hoechst chemicals. It accounts for 5 per cent of the state's economy.

Under its chairman of the last 16 years, Erich Becker, Flughafen Frankfurt Main AG (BfG), the operating company, is run along hard-headed commercial lines. It receives subsidies through the Federal Government, but 28 per cent of the share capital is held by the state of Hesse, 45 per cent, and the city of Frankfurt 29 per cent. Last year, it made a net profit of DM70m on turnover of DM1.1bn.

Up to the end of the century, the airport plans to invest around DM5bn, nearly half on a new terminal to absorb expected passenger growth. It currently handles just over 20m passengers a year, averaging some 55,000 a day and rising to

Frankfurt airport

High flying business



Lufthansa accounts for nearly half the traffic

over 35,000 in peak periods. Around the year 2000, traffic should be between 32m and 35m people a year.

Frankfurt's importance as a centre of transport activities, which employ some 75,000 people overall, stems more from its location than its hinterland, economically significant though this is lying strategically on north-south and east-west routes, the city also functions as a key conduit for rail and road traffic.

Its railway station is Germany's busiest, handling 250,000 passengers a day. And the stream of traffic through the Frankfurt-Kassel motorway junction totals more than 20,000 vehicles daily.

The airport can boast its own impressive array of statistics, with 5,000 flights a week going to 200 destinations in 90 countries and operated by 90 scheduled airlines and 170 charter companies. Lufthansa, the German national airline, accounts for nearly half of the airport's business. One in two of Frankfurt's passengers are transferring between airlines, with the airport guaranteeing a change-over time of 45 minutes, faster than any other world terminal of similar size.

While not exactly bursting at the seams, Frankfurt's capacity is seriously stretched. Hence the ambitious investment programme to fit the 51-year old airport for the 1990s and early part of next century. "We have to fulfil our duty," says Becker. "This means we have both to secure our position and also build it up. This is not an egoistic goal of the BfG. We have to consider our task in relation to the Government, the state, and the airport needs of the country."

Becker, 67, came to the airport when it had run into difficulties back in the late 1960s over its ambitious expansion plans. In those days, it handled around 1m passengers a year.

It is part of Becker's commercial concept that the airport should pay its way not just through airline fees, but also through rental and retail concessions. These account for some 20 per cent of turnover, a share which is likely to rise when the new terminal is ready in five years.

Before that, early next year the airport's commercial and shopping facilities will be considerably enhanced by the new DM200m Frankfurt Airport Center. Becker, indirectly by Siemens, this complex is aimed at giving the airport an even greater commercial thrust. Service says Becker, is the key to the airport's success.

Andrew Fisher

Profile: Hoechst

World's largest in chemicals

IT BEGAN as a small dyeworks, moved into medicines at the turn of the century and later became part of the notorious IG Farben, split up by the allies after the last war. Today, Hoechst is the world's largest chemical company, having just taken a giant stride with the DM2.85bn purchase of Celanese in the US.

In the Frankfurt area, Hoechst is the largest employer, with 22,000 people. It also sponsors Eintracht Frankfurt, the first-league football team. Worldwide, it provides work for over 150,000, has a turnover of some DM40bn, and made pre-tax profits in 1986 of DM3.2bn. Its products include pharmaceuticals, paints, fibres, and plastics.

Its headquarters are in the town of the same name on the north bank of the River Main. Hoechst, which also has an attractive historic section, was incorporated into Frankfurt in 1928, when the company took

the town's name. The group began in 1863 as the dye factory of Meister, Lucius and Bruenau, later becoming famous for its synthetic dyes.

IG Farben was formed in 1925, though the German chemical industry had been cartelised earlier in the century. Under the Nazis, initially wary of the big industrial group because Jews (later removed) were on its supervisory board, IG Farben became a major economic force. It was the biggest company in Germany and the world's strongest chemical concern. Since it was also involved in some of the worst human abuses during the Third Reich - its top executives were sentenced at Nuremberg - it was divided after 1945 to reduce its power.

The resulting companies became the 'big three' of the German chemical industry, the others being Bayer and BASF. It was not long before each was larger than the old IG Farben -

out weakening earnings in the short term.

Also, it would put Hoechst in a much better strategic position in the vast US market, where the costs of setting up new operations are extremely high. Celanese has a strong research thrust in technical fibres and engineering plastics, as well as a sizeable business in polyester fibres.

Like other leading German companies, Hoechst is a big spender. Last year, capital investment DM2.7bn. Another DM2.1bn went on research, much of it into new fibres, an area from which it had been withdrawing.

Keeping the environment clean is also costly, and the Greens have been loudly critical of the chemical companies as polluters. Pesticides, the industry has been defensively explaining its pollution record.

Andrew Fisher

Germany's, and the western world's biggest trade union, IG Metall, has its headquarters in Frankfurt, as do some smaller unions. The associations of the motor, engineering, and electrical industries are also there.

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FRANKFURT 5

Living and working in Frankfurt

The city that always tries hard to please

THE EVENING was warm, the wine was flowing freely, and the traffic-less street was packed with people out for a good time. No, this was not some Mediterranean sunspot, but Frankfurt, a city which may not always impress, but certainly tries hard to please.

In its jolly moods, the city can be fun. When the stalls selling Rhine wines are set up near the centre and the weather obliges, Frankfurt's hard commercial edge is softened and business can be forgotten.

But never for very long. For this is first and foremost a place which deals in money and output. Outsiders come for work rather than for enjoyment. Though there are good museums, concert halls, theatres, and art galleries, and the surrounding countryside is stunning, Frankfurt stands primarily for commerce and finance.

Even the city's own 1987 Sales Guide calls it, with admirable

honesty, "too successful for love at first sight," but then argues that Frankfurt is ready to receive visitors' sympathy. Robert S. Kane, the pithy American travel writer who headed a chapter on Frankfurt, "Substance sans Style." The difficulty for the short-term explorer, he wrote, is "cutting through the prosaic to find the plums."

The business traveller, however, should not find it too hard to make headway. Frankfurt, being small though at the centre of a large commercial region, is easy to get around, with practically everything reachable on foot, by taxi, or by suburban and underground train. There are plenty of good hotels and restaurants, serving anything from light snacks of fashionably light food to heavy German pork, sausages, and sauerkraut dishes.

Entering and leaving Frankfurt is a pleasure. The airport is the busiest on the Continent, with quick connec-

tions within and beyond Germany. Geographically, the city is central, and trains and autobahn are often a better option for less distant destinations.

It seemed to be said, in the days when it was more usual to dispense Frankfurt, that the best thing about the city was that it was easy to leave. Nowadays there is less of a compulsion to go.

Far more tacky, but much less innocent, are the streets of Frankfurt's red light district around the Kaiserstrasse. Lying between the main station, with some small hotels nearby, and the banking area, the Kaiserstrasse presents the crude sight of hard core cinemas and sex shops to bemused visitors who stroll rather than ride into town. It has some good restaurants, though, including the best Chinese food in Frankfurt. Soon the area should be very different, as the image-conscious city authorities have given the sex purveyors notice to quit.

On the tasteful side, Frank-

(beer and wine) for the custom of the crowds. For locals, and visitors who may at least try it, there is Apfelsaft (apple wine, or strong cider). There are plenty of cheap and cheerful cider restaurants in what Kane calls "this tacky-touristy district," as well as some fine jazz bars.

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On the tasteful side, Frank-

Halg Simonian takes a personal look at culture in the city

Letting hair down in a sober way

CLAUDIO ABBADO barely had time to step off the platform earlier this month before Riccardo Muti and the Philadelphia Orchestra took his place. And their seats had hardly cooled before Leonard Bernstein and the Vienna Philharmonic walked in.

September is touring orchestra time in Europe, and Frankfurt is a major venue. Even its earnest money people need to let their hair down sometimes, although they usually go about it in a pretty sober way.

Frankfurt's beautifully restored Alte Oper (Old Opera House) is where much of its musical cultural head. Its main hall is not just the venue for touring mega-orchestras, but also for Frankfurt's own slightly less distinguished band. The building also houses two smaller halls for chamber music and recitals.

Unfortunately, the harmony now being heard at the Alte Oper does not echo across the few hundred yards to the city's main theatre and opera house, but in the old days, where Mr Michael GieLEN, Frankfurt's leading director and conductor, has usually hung up his baton after 10 years in charge.

Some are desperately disappointed. Mr GieLEN made a name for himself - and the town - with his innovative and highly distinctive productions, and they wonder how that reputation can be maintained.

But those of us with less patience for the black polo neck and harsh white backdrop school of opera production are rather relieved, though we tend not to broadcast it. Mr GieLEN's last production, Wagner's Ring Cycle, was recently well received, and he has always been praised for his fine musicality.

But some of his other efforts, notably those with Ms Ruth Bergman, the East German producer, were much harder work. A prize should go to whoever can explain why large portions of Mozart's "Die Entführung aus dem Serail" should be set in a gently undulating rectangular box. And spraying what one assumes to be poison gas over the entombed lovers in the closing scenes of Aida takes idiosyncrasy to an extreme.

Thankfully, Frankfurt's museums are less contentious, and the city has plenty of them. Reflecting what seems to be a competitive drive between German cities at the moment for museum building, the "Museum Ufer" - the south bank of the River Main - is devoted to a string of them.

I prefer the film museum, not so much for its contents - it is more for the fact that it shows classic films in their original language. Despite the linguistic accompaniment, the performances of foreign films here are usually dubbed. As only a handful of actors do the dubbing, it doesn't take long to realise that last week's James Bond is this week's JR and probably next week's popular hero.

However, Frankfurt has a special draw for English-speaking film-goers. Unlike most German cities, at least one central cinema shows the latest US or UK movie in English. And the really desperate can always make the short trek to the small three-screen cinema at the airport, which also shows first-run films in English, albeit on microscopic screens.

Many will be relieved to know that the musical beat in Frankfurt is not just classical. The city has one of Germany's liveliest jazz scenes. Clubs like the

Wagons Lits, Hauptbahnhof, Tel 212834; Hauptwache, Tel 653307.

Andrew Fisher

Business traveller's guide

USEFUL INFORMATION
Public holidays: January 1, Easter Friday and Monday, May 1, Ascension Day, Whit Monday, Corpus Christi, June 17, Repentance Day, December 25 and 26.

Chamber of Commerce (Industrie- und Handelskammer), Boernerplatz 8-10, tel 21971.

Frankfurt Tourist Association (Verkehrsverein), Gutleutstrasse 7-9, 6122876. Information offices on main station, opposite platform 23 (tel 2128349-51), and in Hauptwache Passage (tel 2128700-9).

German National Tourist Board, Beethovenstrasse 68, tel 75720.

Changing money. At banks and savings banks: Mon-Wed 8.30am-1pm and 2.30pm-4pm; Thursday until 3.30pm; Friday 8.30am-1pm; Cimbrian Monday 8.30am-1pm; Commerzbank Monday through lunchtime. At main post offices in city and airport and big department stores.

Deutsche Verkehrs-Kredit Bank at station and airport and main bank branches at airport all open longer hours. Hotels will also change money.

• **Deluxe.**

Frankfurter Hof, Kaiserplatz, Tel 20251, Tlx 411806. The city's flagship, very centrally located for both business and shopping. Also regular venue for company presentations and events. Many visitors find it ideal, though some complain of impersonality owing to its size. One section currently being converted to form new executive wing. Part of the Steigenberger chain.

Hausischer Hof, 40 Friedrich Ebert Allee, Tel 73400, Tlx 41176. As glitzy as the Frankfurter Hof, but appreciably smaller, giving it more charm. Location on the western edge of the city centre a drawback, except for those going to the fair - which it faces - or to offices in the West End.

• **Fair stay.**

Intercontinental, 43 Wilhelm Leuschner Strasse, Tel 220351, Tlx 413638. Unstaggering concrete pile (with smaller annex across the road) a large international hotel, notable principally for its almost total lack of distinction. Drearly located between the railway station and city centre. But higher south-facing rooms have attractive

views over the Main, Sachsenhausen and beyond. Also ample parking, not guaranteed elsewhere.

Canadian Pacific Frankfurt Plaza, 2 Hamburger Allee, Tel 70550, Tlx 416743. A 44-storey contender for the tallest hotel in the world. Rooms start on the 26th floor. Super views, but atmospheric functional at best.

Slightly north of the city centre by the university, but perfect for the Fair.

Park, 38 Wiesenhausetplatz, Tel 20610, Tlx 412806. Stylish old hotel nestled by an unattractive extension. Location on the fringe of the red-light district near the railway station should offend, none but the squeamish, but families may think twice. Part of the Moevenpick chain; food said to be good.

Holiday Inn, 1 Mailander Strasse, Tel 60320, Tlx 411805. On the edge of Sachsenhausen, south of the river Main. A 28-storey tower offering slightly more economical prices and attractive views in return for the less-than-ideal location.

• **At the airport.**

Staying here seems popular not just for travellers, but for some businessmen too, given the rapid spirit in office development opposite the terminals.

Sheraton, 15 Hugo Eckener Ring, Tel 69779, Tlx 4182294. Expensive, despite - or because of - the location: travellers can literally wheel their baggage trolleys from the airside gate almost to reception without stepping outdoors. Bit seedy.

Steigenberger Airport Hotel, 16 Koenigswinterstrasse, Tel 20651, Tlx 412112. Slightly less convenient than the Sheraton, involving a short drive. The compensation is that it's cheaper.

• **On the hills.**

Two deluxe hotels, one to the north and one to the south of Frankfurt, should be mentioned. Public transport avail-

able, but limited, so best suited for the mobile.

Schlosskrone, 25 Hainstrasse, Tel (06173) 7011, Tlx 415424. In Kronberg, 12 miles north-west of Frankfurt.

Huge mock Tudor pile, built in 1889 and the home for years of Empress Victoria, mother of Kaiser Bill. Blazing log fires, wood paneling and flunkies in evening dress, the hotel has an atmosphere unique in Frankfurt. Could be convenient for those doing business with the university, but perfect for the Fair.

• **At the station.**

Frankfurt is no foodie's paradise, but there are some reasonable places to eat. Wholesome German places or stateless bistros can often be a better bet than pricey French for those not desperate to impress. Good Italian is around.

• **Restaurants.**

Frankfurt is no foodie's paradise, but there are some reasonable places to eat. Wholesome German places or stateless bistros can often be a better bet than pricey French for those not desperate to impress. Good Italian is around.

• **At the airport.**

Staying here seems popular not just for travellers, but for some businessmen too, given the rapid spirit in office development opposite the terminals.

• **French and expensive.**

Humperdinck, 35 Grunerweg, Tel 222122. Someones has yet to pay for my dinner here, so comments on the food must be restricted to the fact that it's one of only two places in town which still serve escargot (the other is the French restaurant in the Frankfurter Hof).

Kreis, Bistro, 15 Liebigstrasse, Tel 721297. Small, but used to be the obligatory place for the fashionable set.

• **Food stall.**

Intercontinental, 43 Wilhelm Leuschner Strasse, Tel 220351, Tlx 413638. Unstaggering concrete pile (with smaller annex across the road) a large international hotel, notable principally for its almost total lack of distinction. Drearly located between the railway station and city centre. But higher south-facing rooms have attractive

views over the Main, Sachsenhausen and beyond. Also ample parking, not guaranteed elsewhere.

• **On the hills.**

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furt has other offerings beside kept much of its jostling medieval-ages charm and character, despite the ravages of Mr Mainz, the city of Johannes Gutenberg, inventor of modern printing, has a mixture with sumptuous cakes, and a vast area of city-owned forest to the south. It contains the house of Goethe's birth (rebuilt after World War II), an imposing red sandstone Gothic cathedral, and a reconstructed mediaeval square (Roemerberg), which has a lively Christmas market with toys, decorations, and plenty of Gluehwein.

Outside Frankfurt, the countryside is beautiful. Nestling in the picturesquely Taunus hills are delightful small historic towns like Kronberg, Koenigstein and Bad Homburg. Soon the area should be very different, as the image-conscious city authorities have given the sex purveyors notice to quit.

On the tasteful side, Frank-

Germany, and is still extremely popular by all accounts.

Le Jardin, 6 Kaiserhofstrasse, is an up-market venue in the centre of town.

Vogel, 14 Jungfernstrasse.

Uma Nachts, 9 Siebergasse.

• **OTHER USEFUL ADDRESSES.**

Tourist information offices,

Hauptbahnhof, Tel 212834;

Hauptwache, Tel 212870.

• **Travel agents.**

America Express, 5 Steinweg, Tel 21051.

Thomas Cook, 11 Kaiserstrasse, Tel 12470.

Wagons Lits, Hauptbahnhof, Tel 2128201.

Deutsches Reichsbau, Hauptbahnhof, 23011. Also at Frankfurt Airport, terminal B arrivals area.

• **Airlines.**

Lufthansa, 3 Am Hauptbahnhof, Tel 21290621. Airport 6961.

British Airways, 2 Poststrasse, Tel 2125121.

British Caledonian, 22 Rossmarkt, Tel 200371.

Pan American, 12 Am Hauptbahnhof, Tel 26560.

Air France, 12 Kaiserstrasse, Tel 230501.

Swissair, 6 Am Hauptbahnhof, Tel 200282.

KLM, 2 Schillerstrasse, Tel 290401.

TWA, 2 Hamburger Allee, Tel 770001.

American Airlines, 26 Wiesbadener Platz, Tel 230501.

• **Disco's and night clubs.**

Not my strongest suit, unfortunately, but the top names are:

Derian Gray, at the airport, used to be the busiest disco in

Frankfurt.

• **Entertainment.**

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SECTION IV

FINANCIAL TIMES SURVEY



The Government of Mr Robert Mugabe has made considerable progress since independence in 1980

but faces two big challenges. The economy is in difficulties, exacerbated by drought, and is paying a high price for its defence of vital routes through Mozambique, writes Michael Holman.

Challenges to be faced

SOME SEVEN years after his overwhelming electoral victory which marked the beginning of Zimbabwe's independence, Prime Minister Robert Mugabe is facing a daunting combination of economic and security challenges.

On the economic front, the government is slowly having to accept the fact that the boom years of the early 1980s are unlikely to return.

Aid flows are failing after the post-independence bonanza, and world prices for Zimbabwe's commodities have slipped or are stagnant.

The initial boost in agricultural and industrial output owed much to the end of the war since then most foreign investors have been deterred by the government's socialist aims and the increasing rate of return.

Zimbabwe is now living beyond its means, a fact that will be underlined as the worst drought for decades takes its toll.

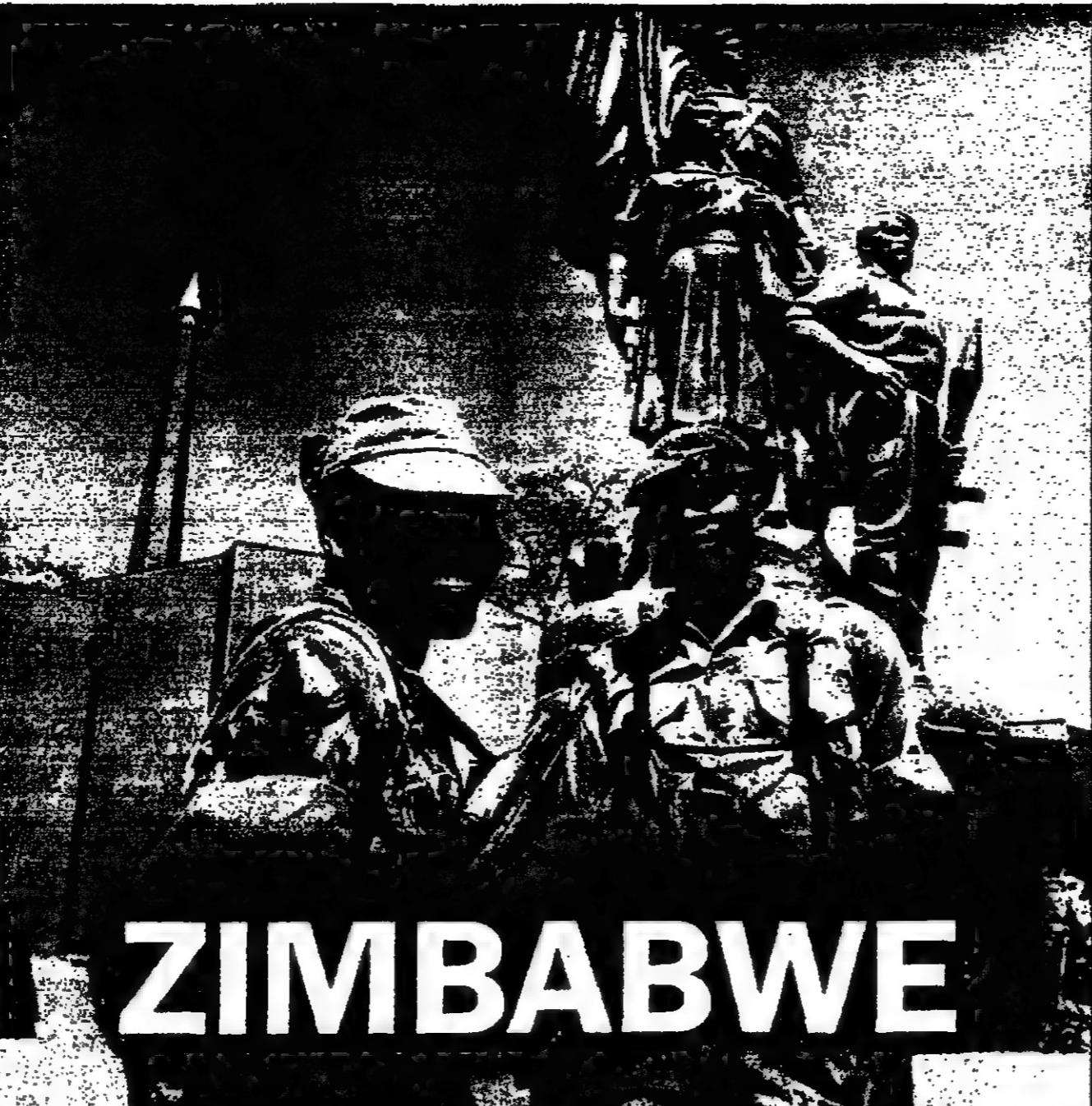
On the security front there is tension in two areas. Zimbabwe is steadily being drawn into the war in neighbouring Mozambique, where its troops are defending the strategic corridor of rail, road and oil links to the eastern seaboard port of Beira,

an outlet which is vital to Zimbabwe's efforts to reduce trade and transport links with South Africa.

In the South West province of Matabeleland, skirmishes continue with a shadowy dissident group responsible for the killing of nearly 80 white farmers (essential to the province's cattle ranching economy), and for the deaths of many more peasant farmers and their families.

Looming over Zimbabwe is the destabilising presence of South Africa complicated with the rebels in Mozambique and the expected links with the Matabeleland dissidents, frequent target of Mr Mugabe's condemnation. Pretoria is ready to retaliate with trade and transport weapons should Zimbabwe succumb to the temptation to apply selective economic sanctions against its white-ruled neighbour.

The stresses and strains that these problems create are still outweighed, however, by the government's catalogue of achievements. The stable transition from war-torn Rhodesia (where 30,000 or more people died in the guerrilla war against the government of Mr Ian Smith) to an independent Mr



ZIMBABWE

Zimbabwean troops guarding horses' 'Acro the national monument'

Pictures by Glyn Genin

Mugabe and the ruling Zanu (PF) party something approaching a transformation of the rural areas is getting underway. School enrolment has shot up from under 900,000 in 1979 to nearly three million today, with many of the new schools being built in the countryside. Peasant farmers' output has soared in part because of the end of the war, but also as a result of better services and easier access to loans. Their production has contributed to a maize stockpile which will enable Zimbabwe to feed itself despite the drought, and still have a surplus for export.

There are other disquieting statistics, however. The overwhelming majority of school leavers - 147,000 this year - will

not find a salaried job in the formal sector, where employment has stuck at around one million for the past decade. The frustrations of unemployed youngsters with four and even six years of secondary education will be considerable.

The government's resettlement programme, designed to place families on formerly white-owned land, has fallen far short of the target of 160,000 families to be moved by the mid-1980s. Barely 40,000 families have been shifted.

This does not keep pace with the country's population growth of 3 per cent a year, let alone ease existing pressures. Rising unemployment and growing land pressure combine to press the government with one of its most pressing problems.

Prospects for the economy of little relief. Indeed, many firms, hit by falling foreign exchange allocations, are retrenching. In his budget appraisal of Zimbabwe's economic performance, Dr Bernard Chidzero, the minister of finance, anticipated zero GDP growth this year and many economists anticipate a 3 per cent decline, partly because of the drought.

The drought, however, is only one of several economic problems, some of which are deep rooted. A high price is being paid for the expansion in social services and the heavy defence bill (14 percent of the 1987-8 budget). The budget deficit, including the cost of unended subsidies - has been climbing

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guerrilla war in Rhodesia.

Last October he promised that Zimbabwe would fight to the last man in defence of the country's external debt will take up around 32 per cent of export earnings this year.

The tight foreign exchange position (import allocations in real terms, only 40 per cent of peak 1982 levels), have left much of the country's industrial and manufacturing sector in no position to replace ageing plant and equipment.

There is a growing body of opinion which says that government needs to implement some difficult decisions as part of what would amount to a far-reaching economic reform programme. So far there is little evidence that government is prepared to implement what would be electorally unpopular measures and run counter to Zanu (PF)'s mainline demands. Yet, there is no evidence either of a clear alternative strategy.

There is, says one leading businessman, a sense of drift compounded by weak management and irregular practices in many of the country's state owned corporations. Three reports on the largest of these - Air Zimbabwe, the National Railways, and the Zimbabwe Iron and Steel Corporation - amounted to an indictment both of their management and of the ministries which have the ultimate responsibility.

Several rounds of negotiations have so far proved fruitless, and many observers believe that even if there were an agreement it might not be enough to end the conflict.

Mr Mugabe can argue that at the heart of his security concern is South Africa. But his search for a strategy that goes beyond denunciation of apartheid and achieves a direct influence on Pretoria has been unsuccessful.

Public commitments on his part to selected economic actions by Zimbabwe against the republic have to date come to nothing in the face of lobbying by a deeply concerned business community which has pointed out some blunt facts.

About 8 per cent of Zimbabwe's trade goes on the Southern route and last year South Africa supplied 21 per cent of Zimbabwe's imports and was a market for 10 per cent of the country's exports. Clearly the scope for South African retaliation is potentially disastrous.

Zimbabwe has committed several thousand troops to the defense of the Beira corridor for understandable strategic reasons, but Mr Mugabe has indicated that he feels a greater responsibility still to the government of Mozambique which provided him with a reliable rear base during the

internal economic issues.

The probability, however,

is that tensions and antagonisms in the Southern African region will heighten. The challenge that faces Mr Mugabe is how to cope with a troublesome neighbour and at the same time address himself to some fundamental economic issues.

The Aberfoyle Group means business in Zimbabwe. For example, Aberfoyle have recently invested in an exciting new development in the country's lowveld. This is the 12 000 hectare Mwenezi Oil Palm project which will bring

largest in Zimbabwe. It will feed the oil palm plantations and provide water to surrounding farmlands.

The Mwenezi Development Corporation is just one indication of Aberfoyle's interest in Zimbabwe. Within the group there are many other wide-ranging investments which will improve the quality of life for Zimbabweans, expand the economy and, in so doing,



Steel plays a major role in Zimbabwe's development. In the area of manufactured steel products, Aberfoyle Industries, through AFA-Angus, supplies fire protection equipment for industrial and domestic use.

for the quality of its product. It has even greater potential in the development of manufactured textile goods. Associated Textiles, a division of Aberfoyle Industries, is a major producer and exporter of clothing for men, boys and babies in the high-demand, cotton-knit sector.

Farming tops the list of Zimbabwe's vital growth areas. Here the Aberfoyle



Aberfoyle's agricultural interests include Zimbabwe's largest dairy farm

The Aberfoyle Group is putting down strong roots in its property and portfolio investments.

Aberfoyle Investments owns and manages important properties such as Globe House and Electra House in Harare and its investment portfolio includes many of the leading companies in the country.

We're here to invest and contribute to the development of the country.



Aberfoyle investing in Zimbabwe's property development.

The Aberfoyle Group

ZIMBABWE'S FUTURE IS OUR BUSINESS

employment to nearly 10 000 workers. At peak production this project is expected to generate foreign exchange earnings to the value of Z\$60 million per annum.



Aberfoyle reduces import-dependency in the motor industry

At the heart of this development is the giant Manyuchi Dam, scheduled for completion in December, 1988. This dam will be the fourth

increase employment opportunities.

The motor industry is an area where import substitution is vital.

Here, Aberfoyle's involvement is through

Stansfield Ratcliffe, distributor of Lucas and CAV motor electrics and essential spare parts for the motor industry.

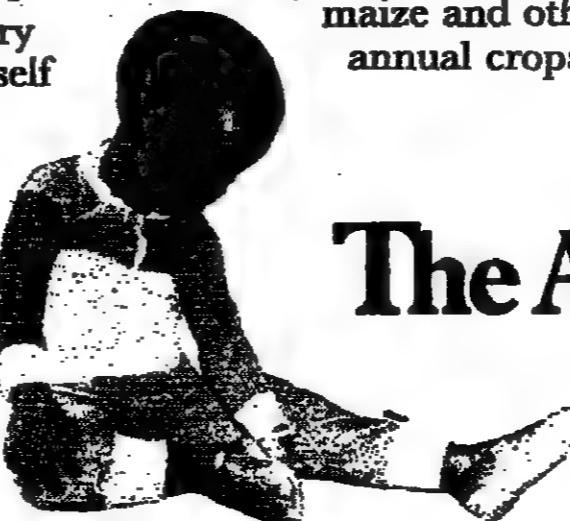
This company has plans to expand local production and reduce the need to import electrical motor spares.

Flexo Steel Industries, another

Aberfoyle Industries division, makes and supplies steel window frames for houses, offices, shops and factories throughout the country.

Zimbabwe's cotton industry has earned itself international recognition

Group is well represented by Kintyre Estates, one of the country's largest dairy farming enterprises and the only fully computerised dairy. Tenerife Estate, another high input farming enterprise, concentrates on maize and other annual crops.



Turning Zimbabwe's cotton into export clothing.

ZIMBABWE 2

Economy

New strategy sought as growth slows

AFTER SEVEN years of independence during which economic performance has fallen short of the overly optimistic expectations held in 1980, a change in policy emphasis - if not direction - is clearly indicated. Indeed, there are some signs that the technocrats in the Government, including finance minister Bernard Chidzero accept the need for a measure of gradual economic liberalisation, though this is constrained by preoccupation with day-to-day crisis management, as well as a curious combination of policy conservatism and ideological opposition to opening up the economy.

In 1980 real gross domestic product grew 23 per cent fuelled by an increase of more than 60 per cent in imports between 1979 and 1982. At the time it was confidently assumed that the combination of improved terms of trade, rapid export growth and substantial aid and foreign investment inflows would be adequate to sustain such import levels.

But these expectations were disappointed. Net private capital inflows since 1980 have been negligible - less than \$200m. Export volumes have grown at a mere three per cent annually while the terms of trade reflect little more than the depreciation of the Zimbabwe dollar. Aid inflows totalled US\$1.7bn between 1980 and 1985, but have since slowed.

In this situation, both the economic and import booms proved shortlived. The breakaway went with a vengeance in 1982 since when real GDP has been growing at less than one per cent annually and real per capita incomes falling by more than two per cent a year. Import volumes fell by more than a third between 1982 and 1985 and investment and employment have deteriorated in turn. The US\$1.7bn aid inflows sustained high levels of public sector spending but the slowdown has exacerbated the balance of payments problem.

On current account the balance of payments deteriorated dramatically from a deficit of \$2.15bn in 1980 to \$3.33m in 1982. Heavy foreign borrowings in the immediate post-independence period contributed substantially to this deficit with public sector interest payments abroad rising from a mere \$28m in 1980 to \$216m in 1984. But by 1986 currency devaluation, export incentives, severe cutbacks in import quotas, the tightening of exchange controls - in respect of profit and dividend remittances - and restrictive monetary policies had turned the balance of payments around and a small current account surplus was achieved.

However, external balance has been achieved only at the cost of serious internal imbalance reflected in sluggish growth, falling investment and escalating unemployment. Last year, investment at constant prices - was at its lowest level since 1979 and since independence it has been 10 per cent lower than in the final seven years of economic sanctions during the 1970s.

But the unemployment crisis

is the most serious manifestation of the failure of economic policy. The phenomenal expansion of the education system - the number of children in schools trebled to 2.8 million between 1979 and 1986 - is now showing up in large increases in the numbers of schoolleavers with four, and even six, years of secondary education. These have increased from a mere 30,000 in 1983 to 147,000 this year and 330,000 by 1991. At the same time employment is stagnating.

There are no more people in jobs today than at the peak of the Ian Smith sanctions boom in 1975 when 1,050,000 workers were employed in the formal economy. Unemployment is estimated to have risen from 12 per cent in 1984 to a forecast 18 per cent this year and 25 per cent by the early 1990s.

After the temporary 1985 agricultural recovery, economic growth has slowed to a crawl. Real GDP increased fractionally last year and is forecast to fall by at least three per cent in 1987 while real per capita incomes this year will be at their lowest since 1979 and 17 per cent below their 1974 peak.

In this situation it is hardly surprising that the policymakers should now be casting around for a new strategy. Their deliberations are complicated by the high dependence of economic growth on the public sector since 1980.

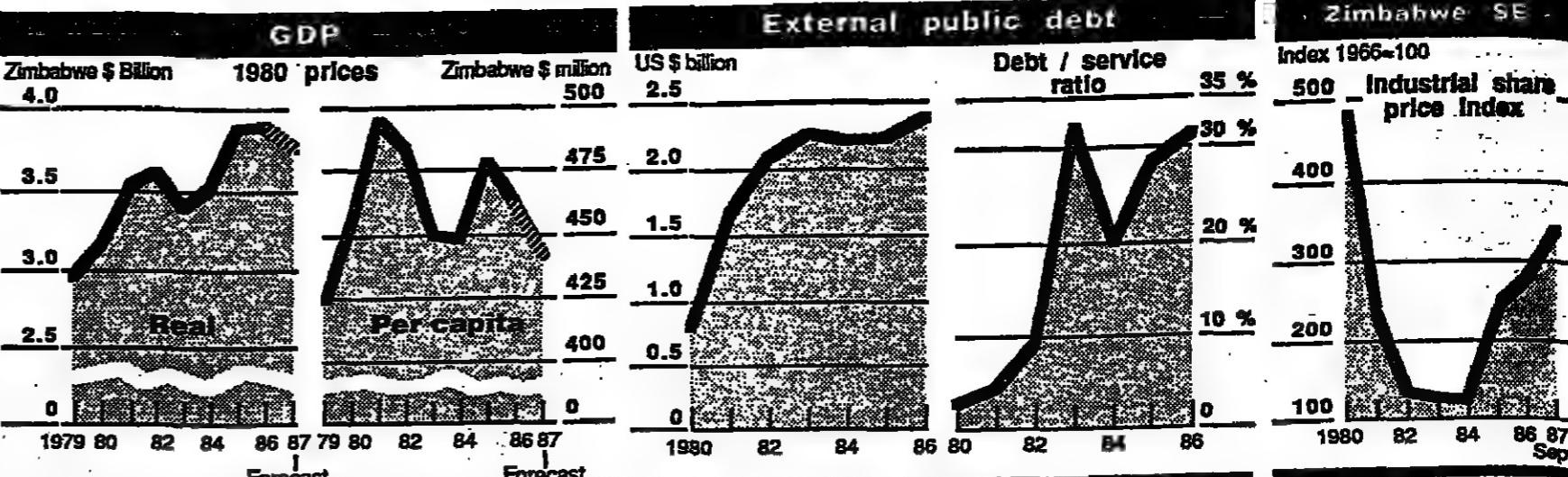
Virtually half the increase in GDP has emanated in the public sector and about a quarter has occurred within education itself. This has only been possible because public spending involves both significant improvements in public sector management, on the one hand, and some unpopular political

decisions in the form of higher price and charges for services on the other.

Deficit reduction is an urgent priority on four main counts. First, the longer it persists the greater the domestic debt-service problem will become. Central government debt - foreign as well as domestic - has risen from 57 per cent of GDP in 1980 to 72 per cent this year and if short term government borrowings are included it exceeds 80 per cent.

Government borrowings are currently costing 14 per cent in the form of debt-service (22 per cent of the total budget), education (15 per cent), defence (4 per cent) and subsidies (11 per cent). Because there is precious little scope under existing conditions to cut spending on education, defence and debt-service, subsidies offer the most promising avenue to progress, albeit one that is temporarily closed because of the wage and price freeze.

The main subsidies are to agriculture, the steel industry, and the state-owned railroads and airline. Subsidy reduction involves both significant improvements in public sector management, on the one hand, and some unpopular political



Tobacco is a valuable export: Bales are open for inspection

decisions in the form of higher price and charges for services on the other.

Given this background of a stagnant economy and unhealthy dependence on deficit-financed growth an economic reform package is essential.

However, both within government and in some parts of the private sector calls for economic liberalisation are growing.

While agriculture and mining

which provide upwards of 85 per cent of foreign exchange support trade and payments liberalisation, manufacturing industry is far more cautious, reflecting fears of competition from imports and de-industrialisation if import controls, which have dominated the economy for 22 years, were to be lifted over a relatively short time-span.

Industry says it favours gradual liberalisation which tends to be the government line as well.

There is opposition too from the ideology within the ruling party who see reform as a threat to central planning and state controls, while even the technocrats who favour cautious liberalisation worry that policymakers will lose control over key macro-economic instruments unless the process is very closely monitored.

The central elements of a reform package would encompass the gradual phasing out of import controls and their replacement with uniform tariffs and some depreciation of the currency of the order of at least 20 per cent and possibly as much as one third though not necessarily in a single stage. It would also need a substantial reduction in the budget deficit, allied with restructuring of management and pricing and investment policies within the parastatal sector as well as changes designed to eradicate existing bias against investment, exporting and against job-creation in the economy.

If the Australian and New Zealand models are any guide, opening up the economy is perfectly compatible with socialism. In Zimbabwe's case, the risks of continuing import compression with its attendant decline in real living standards, high inflation, falling real wages, declining investment and growing unemployment would seem to outweigh easily those of a growth-with-adjustment strategy.

But it is difficult to convince those policymakers and vested interests - in the manufacturing sector for instance - that they stand to gain especially since the ideology of liberalisation is at loggerheads with that of centralised control.

The authorities have promised

to review the wage freeze in the new year and the pressures for new rights issues on the Zimbabwe Stock Exchange that will raise a total of \$218m marks a welcome return of new issue activity to the capital market after a prolonged period of inactivity. The one obvious exception to this is the Government's heavy local market borrowing programme which raised \$206m in the year to June 1987 with a further \$252m of new stock to be issued in the 1987/8 fiscal year.

This pattern of heavy government borrowing with very limited private sector activity is evident in the banking industry as well.

Private sector loan demands has been flat for the last three years, though there is mounting concern about the burden of farm debt the banks are carrying following the sequestration of public sector borrowing by central government itself and the parastatals unless the process is very closely monitored.

The central elements of a reform package would encompass the gradual phasing out of import controls and their replacement with uniform tariffs and some depreciation of the currency of the order of at least 20 per cent and possibly as much as one third though not necessarily in a single stage. It would also need a substantial reduction in the budget deficit, allied with restructuring of management and pricing and investment policies within the parastatal sector as well as changes designed to eradicate existing bias against investment, exporting and against job-creation in the economy.

If the Australian and New Zealand models are any guide, opening up the economy is perfectly compatible with socialism. In Zimbabwe's case, the risks of continuing import compression with its attendant decline in real living standards, high inflation, falling real wages, declining investment and growing unemployment would seem to outweigh easily those of a growth-with-adjustment strategy.

But it is difficult to convince those policymakers and vested interests - in the manufacturing sector for instance - that they stand to gain especially since the ideology of liberalisation is at loggerheads with that of centralised control.

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	1987*	1986	1985
Exports	2400	2210	1855
Imports	1800	1630	1555
Trade surplus	600	530	300
Visible (Net)	-500	-500	-440
Current account	-50	+30	-145
Capital (Net)	-150	+45	+350
Overall balance	-200	+75	+200
Total			

Money supply and banking

Borrowing stays high

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ZIMBABWE 3



Despite internal differences Prime Minister Robert Mugabe remains pre-eminent

Politics

Unification hard to achieve

THE GOAL OF Mr Robert Mugabe of creating a one-party state by negotiation is proving elusive.

Last month the ruling Zanu (PF) appeared on the brink of signing an agreement with Mr Joshua Nkomo's Zulu party which would have brought the two parties together as the renamed Zanu-Patriotic front led by Mr Mugabe but with two vice presidents, one of whom would have been Mr Nkomo. Places would also have been allocated to former Zulu members on an enlarged portfolio (6 out of 21 seats) and the expanded central committee (giving ex-Zulu supporters between a quarter and a third of the seats). The more sensitive issue of cabinet portfolios was still under negotiation.

The theory is that, a division which goes back to the 1960s broadly demarcated by Shona allegiance to Zanu-PF and Ndebele loyalty to Zulu, would have been healed.

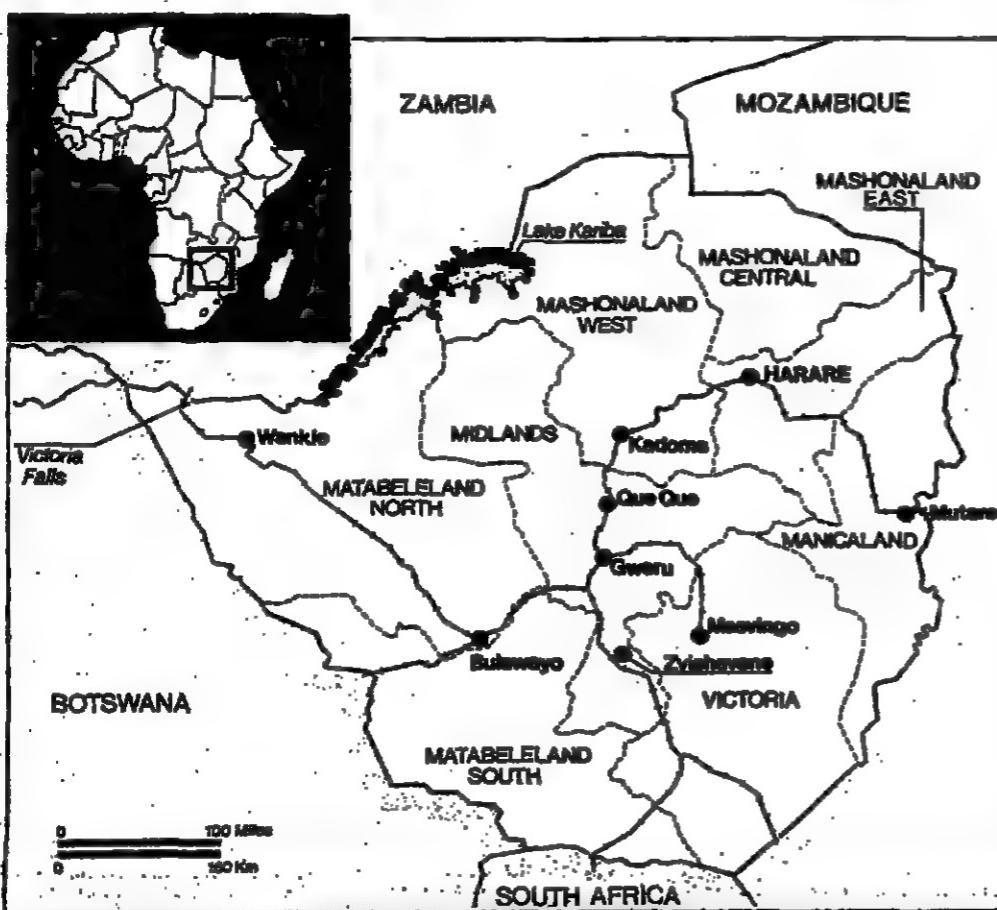
The most important benefit, according to proponents of unity, would be a marked decline in the security problems posed in the provinces of Matabeleland (and to a much lesser extent, the Midlands) by former Zulu guerrillas. These bandits (or dissidents, as they are known) are held responsible for the deaths of nearly 80 white farmers in the provinces since independence in 1980 - far more than the number who died in the area during the war against white rule.

But at the last minute Zanu (PF) withdrew from the agreement for reasons which continue to be unclear. One popular theory is based on the rivalry of two Shona clans, the Zezuru who comprise just under one fifth of Zimbabwe's nine million people, and the Karanga, who make up a little over one fifth.

Between them they dominate the Party's 15-member central committee (6 Zezuru, including Mr Mugabe himself, and 5 Karanga) and the 27-strong Cabinet (9 places each).

Such is the rivalry, or so the theory goes, that the Karanga - who have traditionally enjoyed better relations with the Ndebele - would form an alliance with former Zulu politicians once the unity agreement had been enacted, and thus reduce the influence of the Zezuru. It was this prospect, according to some commentators, which led some senior Zezuru politicians to oppose the unity formula.

The convenience of the theory (applied to other issues as well) is that it allows outsiders a plausible basis on which to interpret the often Byzantine nature of Zimbabwe politics. It may not, however, be a totally adequate explanation of why



the protracted unity talks have stalled.

Equally important may be the fear of some Zanu (PF) politicians that they would lose power in the hierarchy in a restructured party structure, and with it the perks and patronage that are increasingly important.

Further, some former Zulu members who have already switched loyalties and hold ministerial office are none too enthusiastic about being joined by their erstwhile colleagues.

Whether Mr Mugabe will achieve his aim of an amicable merger remains uncertain. One of the major stumbling blocks was removed last December when Mr Dumiso Dabengwa, a former commander in Zulu's guerrilla army which was disbanded at independence, and potential successor to the 70-year-old Mr Nkomo, was released from detention.

Yet the degree of bitterness towards Zanu (PF) in Matabeleland remains considerable. It is fuelled by memories of brutal army campaigns against the dissidents in 1983 and 1984 in which at least 1,000 civilians died and many more were maimed.

The suspicion remains that most senior Zanu (PF) figures have little enthusiasm for a reconciliation with Zulu which, to be effective, would require not only an equitable allocation of portfolios but a commitment to greater spending on development in Matabeleland.

In the meantime the banditry is likely to continue and the province provides a recruiting ground should South Africa - already strongly suspected of supporting the dissidents - attempt to add to Mr Mugabe's problems by fanning insurrection in Zimbabwe's south-western province.

Mr Mugabe has had more success, however, in his search for Zulu hegemony in the campaign against the bloc of 20 white MPs in the 100-seat National Assembly who had been elected by barely 30,000 white voters.

Rebent against the white bloc, entrenched for seven years under the Lancaster House constitution, peaked at the 1985 General Election, when the conservative alliance of Mr Ian Smith, the unrepentant for-

mer prime minister, won 15 of the 20 seats at stake.

An irate Mr Mugabe, who interpreted the outcome as a rejection of his policy of reconciliation between the races, threatened at the time to override the constitution and abolish the seats. He stayed his hand, however, and the provision ran its course until the formal abolition of the white bloc last month. The 20 MPs and the 10 white Senators in the 40-seat Upper House will be replaced by members elected by the 80 black MPs who are expected to choose several whites to represent the minority community.

Of greater long-term significance are other constitutional changes the Government has in mind. Mr Eddie Zvobgo, the minister of justice, legal and parliamentary affairs, has said that the plan is to introduce an executive presidency (a change likely to take place within a few months), abolish the Senate, and create an unicameral parliament. The last two changes will wait until 1990, when the Lancaster House constitution can be scrapped.

In the meantime, the negotiations for the unification of the two parties will continue, preparing the way for de facto if not de jure, one party state.

Whether such a system will be to the liking of a majority of Zimbabweans remains to be seen. Although Zanu (PF) won a resounding victory at the 1985 election (64 of the 80 black seats) the party's popularity may well have declined.

Rising unemployment, double-figure inflation which has left real earnings below pre-independence levels, concern over growing corruption and unease at the Government's often authoritarian stance, has probably eroded some of the support that the party enjoyed.

Within Zanu (PF) itself there are some signs of divisions and tensions. These include the demotion of the outspoken Mr Edgar Tekere, former chairman of the Manicaland province branch of the party who has criticised the Government, the removal of Mr Zvobgo, chairman of the party in Masvingo province, and controversy over Dr Herbet Ushewokunze, the transport minister, who came under attack after two critical reports of his handling of the state-owned Air Zimbabwe and the National Railways.

Mr Mugabe himself, however, remains pre-eminent and whatever internal differences there may be, the grip of Zanu (PF) on the country looks like tightening. Certainly under the new constitution there will be no serious challenge at the ballot box to its authority.

Michael Holman

Foreign affairs

Boxed in on sanctions stance

IT HAS BEEN a mixed year on the foreign affairs front for Mr Robert Mugabe, Zimbabwe's prime minister.

On the one hand, he has assumed a more prominent place on the world stage following Zimbabwe's hosting last September of the non-aligned movement summit, and his subsequent appointment as the organisation's head.

But Mr Mugabe has had difficulty evolving a practical policy towards South Africa, threatening to apply a package of economic sanctions against the republic, but stepping down after the local business community pointed out the potentially disastrous consequences.

The non-aligned movement summit gave Mr Mugabe an opportunity to express his views on a wide range of issues. The difficulties developing countries are having in meeting their external debt commitments, international nuclear disarmament, and tensions in the Middle East. However, it is a subject much closer to home that dominates the concerns of Mr Mugabe and his Government.

Relations with South Africa and the repatriation role in the region, notably its involvement in the war in neighbouring Mozambique - are critical both to Zimbabwe's economy and security, as events of recent months have underlined.

For some time it has seemed that Mr Mugabe was building up a head of steam which was leading him in one direction: the imposition of selective sanctions against Pretoria despite the consequences for the domestic economy and the near inevitability that South Africa would retaliate by applying sanctions of its own, notably those on Zimbabwe's links of the Southern road and rail links which carry some 80 per cent of the country's trade, while the republic is the source of 22 per cent of Harare's imports.

The clearest indication came last August on his return from the Commonwealth mini-summit on South Africa which was held in London. Mr Mugabe said that Zimbabwe was prepared to impose the package of selective measures drawn up at the meeting which included severance of air links, and a ban on imports of steel and coke. The refusal of Mrs Margaret Thatcher, the British prime minister, to commit Britain to these measures stemmed from her government's racist attitudes, declared Mr Mugabe, who went on to say that Zimbabwe was pre-

pared to make sacrifices. "If we have to eat sadza (maize meal) without stew, we will do it."

Ironically, shortly before the London summit Zimbabwe and South Africa had renegotiated their three-year old preferential trade agreement, but days before the opening of the non-aligned movement summit Mr Mugabe announced that the agreement was going to be scrapped: "The decision to implement sanctions will override the trade agreement."

It was becoming clear, however, that Mr Mugabe was isolated by his Southern African neighbours: Mozambique and Botswana made it clear that they could not afford to implement sanctions. Kenya was reluctant to end its lucrative air links with South Africa and President Kenneth Kaunda of Zambia - who like Mr Mugabe had committed himself to sanctions - was having second thoughts.

By the middle of this year the prospects of sanctions seemed to have receded, but in July a

stunned business community were told that trade sanctions were indeed going to be imposed and import licences were not valid for South African purchases. After vigorous lobbying the decision was rescinded. Mr Mugabe having apparently suffered a rebuff.

Whether this episode marks the end of what one observer called a "fiasco" is uncertain. In the meantime, Mr Mugabe has to deal indirectly with South Africa on the security front: the growing war in Mozambique to which Zimbabwe has been drawn.

The rebels of the Mozambique National Resistance (MNR) were originally encouraged and trained by the white Rhodesian Government. At Zimbabwe's independence in 1980, Mr Mugabe took over the role and the MNR now poses a serious threat to the Government of President Joaquim Chissano.

Among the rebel targets is the so-called Beira corridor containing the vital road, rail and oil link between Zimbabwe's border town of Mutare and the

port of Beira. The corridor is essential to Zimbabwe's efforts to reduce trade and transport links with South Africa, and several thousand of Mr Mugabe's troops are protecting the facility.

Last October the Prime Minister declared that Zimbabwe would "fight to the last man" to prevent a rebel takeover in the Maputo, a pledge which prompted the rebels formally to declare war on Zimbabwe, threatening to hit military and economic targets across the border.

It now appears that the rebels are putting the threat into effect, robbing stores, attacking civilian estates, and killing civilians. Whether these developments are in fact part of a coordinated strategy is not clear, but they are adding to the Government's security problems which are not confined to the eastern border.

Mr Mugabe suspects that South Africa is also involved in the skirmishing in the south west province of Matabeleland, where former guerrillas once loyal to Mr Joshua Nkomo, the leader of Zulu, have killed nearly 60 white farmers since 1980, including many more black civilians.

Recent reports suggest that the "dissidents", as they are known, are stepping up their activity and although western diplomats in Harare put their strength at no more than 300, they none the less have the capacity to disrupt and demoralise the province.

Perhaps the most practical form of assistance to Zimbabwe in the face of these problems has come from Britain, which provided a military advisory and training team at independence to help train and integrate the guerrilla and regular forces of the new national army. Today over 40 British military advisers continue a training programme, not only of Zimbabwean officers but also, since 1986, of junior officers from the Mozambican army at Nyanga on the eastern border with Mozambique.

Relations with the United States have not been so cordial. The US suspended its aid programme last year after a Zimbabwe minister harangued guests at a July 4 independence Day gathering about the shortcomings of President Reagan's policies towards South Africa. While contacts have since become more cordial, the programme remains suspended.

Michael Holman

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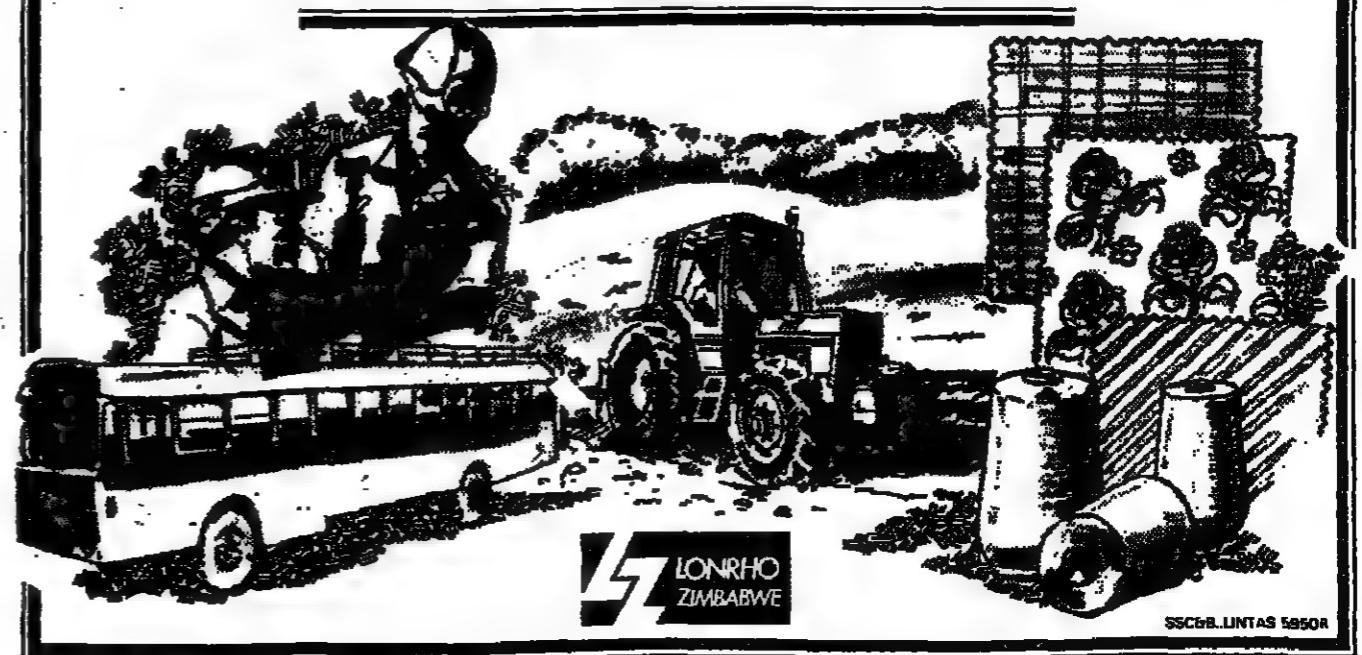
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Michael Holman

ZIMBABWE 4



The FT safari: trekking on wheels

Game parks

Wild life in all its splendour

A GREAT many travel brochures offer the tourist the highlight of a lifetime but how many, I wonder, actually come anywhere near to fulfilling their promise?

Last month, 15 intrepid FT readers and I, aided by travel organisers Abercrombie and Kent and two of Africa's top-most professional guides, completed the second Financial Times safari. If you are a tourist in Zimbabwe and know where to go - and above all have the right people to guide you - a unique experience awaits you.

I can say this since I was not the safari's inspiration - Lucia van der Post, editor of the Weekend FT's How to Spend It page, helped to conceive it and accompanied the first FT safari last year. But this year's group agreed with last year's: there is no doubt that Zimbabwe can offer the holiday that will linger in the memory.

This year's safari, like last year's, centred round three of the country's six great national game parks - Hwange, the big-

gest, which borders the Kalahari; Chizarira, one of the wildest parks in Africa; and Mana Pools, among the most beautiful.

Our tour began in Harare, with a night at Meikles Hotel (still as good as ever) and then we flew to the magnificent (and to my taste now too popular) Victoria Falls. From there came the real safari as we stayed in tented, unfenced camps and tracked on foot big and small game, watched a multitude of birds and drove and walked through some of Africa's most rugged and remote country-side before, finally, canoeing down the great Zambezi river.

Our trip was led by Alan Elliott, a fourth generation Zimbabwean of great charm and deep knowledge of the African bush. Alan's colleague guide was Alastair Chambers, a young man able to convey enthusiasm for Zimbabwe's unusual world of animals, flowers and trees.

The group itself came from far and wide - New Mexico, Philadelphia, Trinidad, Spain,

Switzerland, Ireland and Britain. We started strangers and ended up friends and each now treasure memories that will probably always be with us.

There was, for example, the high excitement of tracking elephant on foot through bush, tension mounting sharply as Alan Elliott's rifle on shoulder stopped and beckoned us on by turns through the crackling undergrowth. Suddenly, heavy feet pounded. "Run back to those trees. They're stampeding!" Alan shouted as we all - including the three grandmothers in the party - turned and fled to safety with a speed that surprised us all. Later Alan admitted that he 'had vibes' in the thick bush, though in retrospect he reckoned the elephants which we never saw were almost neatly aligned, not scattered.

Then there was our first night on the Zambezi, at Rukomechi camp. When we'd gone to bed, the grunts of the hippos and the mutterings of baboons in the thorn trees above us masked, for all but the ears of Alan and

Alastair, the sounds of four adult lions preying on waterbuck not 200 yards from our bunks. Our guides roused most of the group, who then spent an enthralling hour watching the lions devour the hapless animal.

But there were quieter moments too. The evening walk across the ochre plains of Hwange, when we suddenly stopped to listen for a browsing animal or grazing herd. Or just riding through the open grassland, wind in your hair, sun in your face and only a group of giraffe or distant herd of buffalo to interrupt your view of the quintessential Africa.

Or there was the early morning walk along a bubbling stream in Chizarira, the gentleness contrasting with the chill and desolate and burned country of the long drive the day before. In a few hundred yards we counted 22 species of birds, from the scarlet-chested sunbird to the lilac-breasted roller, the green pigeon and the malachite kingfisher.

Later, canoes drifting with the current down the huge Zambezi river, we watched an elephant family cross to a sandbank, hippos cavor and myriads of carmine bee-eaters glitter against the declining sun.

With both our guides, divided into small groups we tracked and trailed game on foot and by Land Rover, and from seeing very little in the dusty Kalahari sand at first, we later learned to plot the elephant's path, distinguish between the big cat and know what had walked ahead of what and when. The two men made us see things we'd never seen before and made us see, too, the the divide between the human and the animal kingdoms is much less sharp than our western minds suppose.

Special skills were drawn on. Walking British hills was put to good use by clambering through a wild gorge near the Zambezi escarpment, while our gastroenterologist professor collected, labelled and photographed the remarkable variety of the bush yielded, for the later education of his students.

And all of us loved the impromptu nature talks from Alastair Chambers, who has a knack of bringing alive the personality and quirks of the animals of the bush. One day as we sat tensely watching a huge herd of elephant move through the thick bush he whispered to us of the life and times of that great creature, ending with clinical details of its sex life.

There were many things in our two week safari that we did not do, which a tourist in Zimbabwe with more time, or different inclinations, could accomplish. We did not see the sombrely magnificent, mysterious stone ruins of Great Zimbabwe, nor visit the eastern highlands to fish in cool streams or go climbing on smooth rocks. Neither did we see anything of the Matobo Hills, where Cecil Rhodes is buried, nor of the rich farmland which the descendants of his pioneers helped establish (and which today means that the tourist enjoys a wonderful variety of fruit and vegetables and dairy products unrivalled in Africa).

Information on how you could enjoy some of these delights is found in the adjoining panel. If you are envious of our particular trip, write to Lucia van der Post, or to me, and we will see whether we can get a third FT safari underway, next year.

Bridget Bloom

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ZIMBABWE 5

Manufacturing industry

Expansion hit by monetary constraints

ALTHOUGH manufacturing industry has contributed about one third of Zimbabwe's economic growth since independence, almost all of this was achieved in 1980/81 since when it has stagnated. Manufacturing value-added (MVA) jumped 27 per cent in the first two years of independence but in the subsequent six years it has expanded less than one per cent, falling out of steam as the foreign exchange constraint tightened.

In 1980, manufacturing industry seemed poised to boom after battling to survive through five years of falling import allocations and stagnant domestic demand. At that time, Zimbabwe's manufacturing sector was second only to that of Nigeria in sub-Saharan Africa (excluding South Africa), accounting for some 4.5 per cent of regional industrial production.

Rapid industrial growth in the early years of independence was fuelled by buoyant domestic demand and a 60 per cent increase in real import allocations. But the economic crunch in 1982 brought about by drought and world recession resulted in sharp reductions in import allocations which by the first half of 1987 were running at no more than 30 per cent of their peak 1981 levels. Although the import dependence of Zimbabwe industry is very low by African standards - about 25 per cent of inputs are imported - industrial growth slowed to a trickle, employment declined and capacity utilisation rates fell in the wake of import compression of this magnitude.

It is quite clear that manufacturing industry will not regain its earlier momentum unless or until real import allocations are increased substantially. It is estimated that manufactured exports generate sufficient foreign exchange to finance some 70 per cent of the sector's import requirements.

While this is an exceptionally high ratio for a developing economy, this statistic masks two very real problems. The first is that in an unregulated situation industrial imports would be substantially higher, reducing the ratio to below 50 per cent. The second is that one of the causes of inadequate import allocations - aside from falling capacity utilisation and shortages - is a very low level of industrial investment and a consequential alarming deterioration in the quality of the capital stock.

Data on the age of the capital stock are hard to come by, but a World Bank study found that in textiles, the vast majority of equipment was more than ten years old, while one-quarter of the weaving industry's equipment was at least 20 years old. In the steel industry, one of the two blast furnaces was built in 1961.

A further indication of an ageing capital stock is the decline in new and replacement investment. In the mid-1980s, manufacturing investment was less than half its peak 1981 levels, again reflecting the foreign currency crisis. While it is calculated that about 70 per cent of any industrial investment project represents foreign exchange input.

Given the difficult international environment for primary product export growth, it is increasingly acknowledged that Zimbabwe's industrial sector must look outwards and itself generate the foreign exchange necessary to finance the considerably higher levels of imports that are essential if manufacturing is to achieve a satisfactorily



Zimbabwe Red' Iron being made in Harare

growth path. The logic of the argument is that obvious and easy import substitution opportunities were exhausted during the sanctions period and, in fact, upwards of 90 per cent of industrial growth over the past 20 years has been domestically-oriented. Only about 10 per cent of industrial output is exported down from 20 per cent in the mid-1960s.

Since industrial exports have been a lagging sector and since industry desperately needs foreign currency, export-biased growth is essential. But whether this is achievable is problematical, given stagnant regional markets, the probability of a sharp decline in export sales to

South Africa - which takes some 25 per cent of total manufactured exports

Zimbabwe policymakers are being urged by the World Bank to liberalise existing import controls as a condition for a new export promotion loan, an expansion of the bank's existing export credit line and, for a long time both the Government and industry favour import liberalisation, both sides are warning that it must be a planned and measured process and that there can be no overnight 'dash for economic freedom'. The two sides warn too of the possibility of de-industrialisation if liberalisation is too rapid, but the

World Bank estimates that about two-thirds of Zimbabwe industry is broadly competitive with international standards and thus, allied with a judicious tariff policy, would ensure that few industries would go to the wall.

With the recent South African sanctions scare likely to erode trade between the two countries, the need to find new export markets for the spectre of continuing stagnation in the mining sector, apart from gold and ferrochrome, and rapid unemployment growth underlines the need for a bold and imaginative industrial strategy.

Anthony Hewitson

Manufacturing production

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110

105

100

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Forecasts

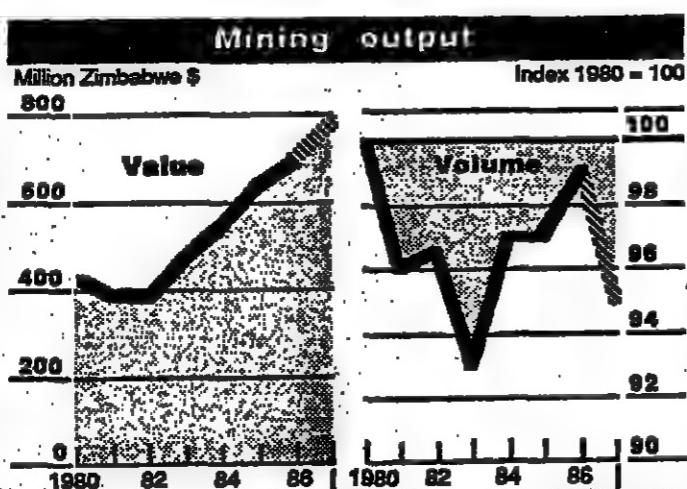
Mining

Price rises lift prospects

AFTER A disappointing period of output stagnation, declining investment and falling output, mining industry prospects are looking up following the 1987 upturn in commodity prices. There has been no growth in the industry since independence with real value-added last year being the same as in 1980, but the combination of higher world market prices for some metals - notably gold and ferrochrome - and currency depreciation has resulted in 12 per cent annual growth in the value of production.

Gold which now accounts for more than 40 per cent of mineral production by value - compared with 25 per cent before independence - will increase in importance, mainly as a result of a substantial number of small-scale investment projects involving the re-opening of mines closed in the 1970s and 80s. Contributing only seven per cent of GDP and accounting for five per cent of employment, mining's crucial strategic role in the economy lies in the export field. With last year's run-down in gold stocks and the doubling in gold exports to US\$250m, the mining industry accounted for 44 per cent of total export earnings. Although several different minerals are produced just four commodities - gold, ferrochrome, asbestos and nickel - provided 38 per cent of exports.

This year, prospects for both gold and ferrochrome have



brightened and gold output, which has increased one quarter to 450,000 ounces since 1970, will continue to rise. Indeed, the Zimbabwe Chamber of Mines estimates that gold output can be doubled in the next five to 10 years. Government policy has encouraged gold development with its own Zimbabwe Mining Development Corporation opening up the disused gold Elvington property in the Midlands, which will earn US\$12m a year in exports while the guaranteed export price system - introduced at a time of depressed metal prices - has provided a key factor in encouraging

this redevelopment of disused mines. Three growth options for the industry have been identified - increased exploitation of existing deposits, greater beneficiation and value-addition within Zimbabwe, and, of course, the discovery of new deposits. Since independence has been the world slump in base metal prices that the focus has been upon the first two options with little interest in new exploration. Most of the mining production - with the exception of Rio Tinto's redevelopment of the Bencu Gold Mine and the substantial investment in the open-cast pit at Wankie Colliery - have either improved value-added or reduced production capacity through the implementation of modern techniques and new equipment.

This explains why output vol-

umes this year are likely to remain some five per cent fractionally below their 1980 levels and 15 per cent below the peaks established in the mid-1970s.

Asbestos production - traditionally one of the country's top three exports - has fallen by almost a third since 1980, though market demand has improved this year and at present the industry is unable to meet some export orders due to the shortage of foreign exchange.

Copper and nickel output this year has been running at little above half 1980 production levels and in mid-year the country's main nickel producer, Anglo-American Corporation's Bindura Nickel Corporation announced plans to put its mines on a care and maintenance basis by September 1988. Because this would have involved retrenching some 4,000 workers, the government stepped in and discussions on a financial re-

laxation package for the group are under way. In the midst of all this, there has been a quite unexpected surge in nickel prices, so that at current price levels Bindura is approaching a break-even situation, after losses of some 282m (US\$15m) in the past 18 months. Whatever the outcome of the rescue negotiations, some setback in operations seems inevitable unless there is a sustained nickel price recovery, which seems improbable, or a substantial devaluation of the Zimbabwe dollar.

Indeed, apart from gold it is only coal - where output has risen more than 40 per cent mainly to supply the thermal power station at Hwange - and some of the minor metals where production volumes have increased. If the 1987 upturn in commodity prices is sustained, then this trend may be reversed in 1988/9 but much will depend on three crucial input constraints: the availability of foreign exchange for the purchase of essential spares and components, transport congestion - also a foreign currency problem since the railways are unable to maintain their locomotives due to a spares shortage - and capital investment in new techniques and equipment. To these must be added a critical pricing consideration - the exchange rate.

The Zimbabwe dollar has held its place against the depreciating US dollar for about two years now, while costs have escalated substantially ahead of inflation rates in the Organisation for Economic Cooperation and Development. In this situation market penetration will become increasingly difficult, especially should transport costs and difficulties intensify because of the regional geopolitical situation.

At this juncture prospects for substantial new investment in mining do not look encouraging. In part this reflects the worldwide unpopularity of investment in raw materials, but it is also a consequence of regional political uncertainties and uncertainty over the Government's role in the industry.

With its purchase of Mhangura copper mine, its controlling (minority) stake in Wankie and its control over marketing via the state-owned Minerals Marketing Corporation - government attitudes towards investment in strategic industry are crucial. Foreign investors - essential to mine development in the 1980s - are going to insist on favourable terms before they commit substantial new funds to mining in Zimbabwe.

Anthony Hewitson



The Beira Corridor

Port's key role grows

EVERY MORNING as dawn breaks in Mozambique gangs of railway workers set out to inspect the night's damage to the 314-km Beira corridor linking Zimbabwe to the sea.

They could discover unexploded landmines waiting for the day's passing freight trains, and about twice a week they will find that rebels of the Mozambique National Resistance have succeeded in sneaking past Zimbabwean troops to blow up the track. The railway authorities say proudly that they can usually fix the line in half an hour. Occasionally the guerrillas will destroy a bridge, and that can mean a 48-hour repair job.

Despite the attacks on the rail line and on the road and the fuel pipeline running alongside it through central Mozambique, Zimbabwe is gradually increasing its use of the port of Beira and reducing its heavy trade dependence on South Africa.

Much of the initial euphoria generated by the 10-year US\$600m project to rehabilitate the Beira route has nevertheless evaporated with the realisation that Zimbabwe and the other countries in the region will probably be tied to South Africa for many years to come.

The Zimbabwe Government committed to sanctions against Pretoria but unable to implement them, has emphasised the political importance of diverting traffic away from South African ports, while Zimbabwean businessmen, acting through the Beira Corridor Group (BCG), are anxious to stress the economic advantages.

Beira is the natural and traditional port for most of Zimbabwe, closer than Durban in South Africa. Mr Eddie Cross, managing director of BCG, says businesses can save 2500 to 2800 per container by using Beira and he estimates that the region would save an annual US\$160m - eight per cent of gross overseas trade value - if Mozambican ports were used to the same extent now as in the early 1970s, before Zimbabwe's independence from Portugal and the start of the civil war.

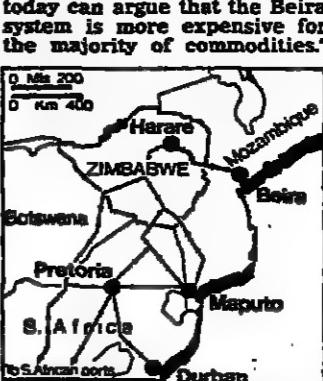
At the end of 1983 Zimbabwe was transferring more than 90 per cent of its overseas trade through South Africa, and the region as a whole (southern Zaire, Zambia, Malawi, Zimbabwe and Botswana) was 75 per cent dependent on South Africa.

Now, says Mr Cross, Beira is

handling 30 per cent of Zimbabwe's overseas trade and the South African share is down to 70 per cent. For the region Beira is taking 20 per cent and the South African stake has dropped to 58 per cent.

By 1990, Beira might be handling up to five million gross tonnes, half the region's trade, although the port remains vulnerable to attack by the South African armed forces and the rebels they used to - and perhaps still do - support.

"It's just a question of slowly pushing up the volume," says Mr Cross, "and that's happening too slowly for my liking. I don't think any businessman today can argue that the Beira system is more expensive for the majority of commodities."



Some bulk traffic such as sugar from southern Zimbabwe, BCG accepts, should go via the appropriate bulk loading facilities at Maputo port. The damaged direct railway line via Chicala to Maputo, avoiding the current route through South Africa, is also being considered.

Businessmen in Zimbabwe have been switching only slowly and cautiously to Beira as they gain confidence in the route. Although the theoretical cost of transport to and from Beira may be lower, the route's lack of reliability can affect delivery times and introduce hidden costs. In August only five per cent of Zimbabwe's tobacco, the country's most valuable export, was sent out through Beira, which used to be the main outlet for the commodity.

Exporters and importers face a range of problems apart from sabotage. Beira is a shallow harbour and it suffers from a shortage of direct shipping services to Europe and elsewhere. There is little point in exporting through Beira if the goods have to be trans-shipped in Durban anyway.

But what businessmen gain in lower transport costs, they may well lose in the form of reduced foreign exchange allocations for imports. However Mr Denis Norman, BCG chairman, makes the point that the corridor has to be defended anyway - regardless of increased dry cargo traffic - because it contains the pipeline which provides most of Zimbabwe's annual oil requirements of 600,000 tonnes.

The use of Zimbabwean troops in Mozambique's civil war has encouraged the MNR guerrillas to launch attacks into Zimbabwe itself, killing civilians and militiamen, attacking tea plantations, and giving the Government a unpleasant reminder of the dangers of becoming involved in your neighbours' wars.

Such ominous incidents on Zimbabwe's eastern border threaten to overshadow the hopeful talk of settling Zimbabweans along the corridor and the achievements of the BCG in revitalising Beira and helping to raise the US\$280m already committed by donors to the Beira corridor project.

Victor Mallet

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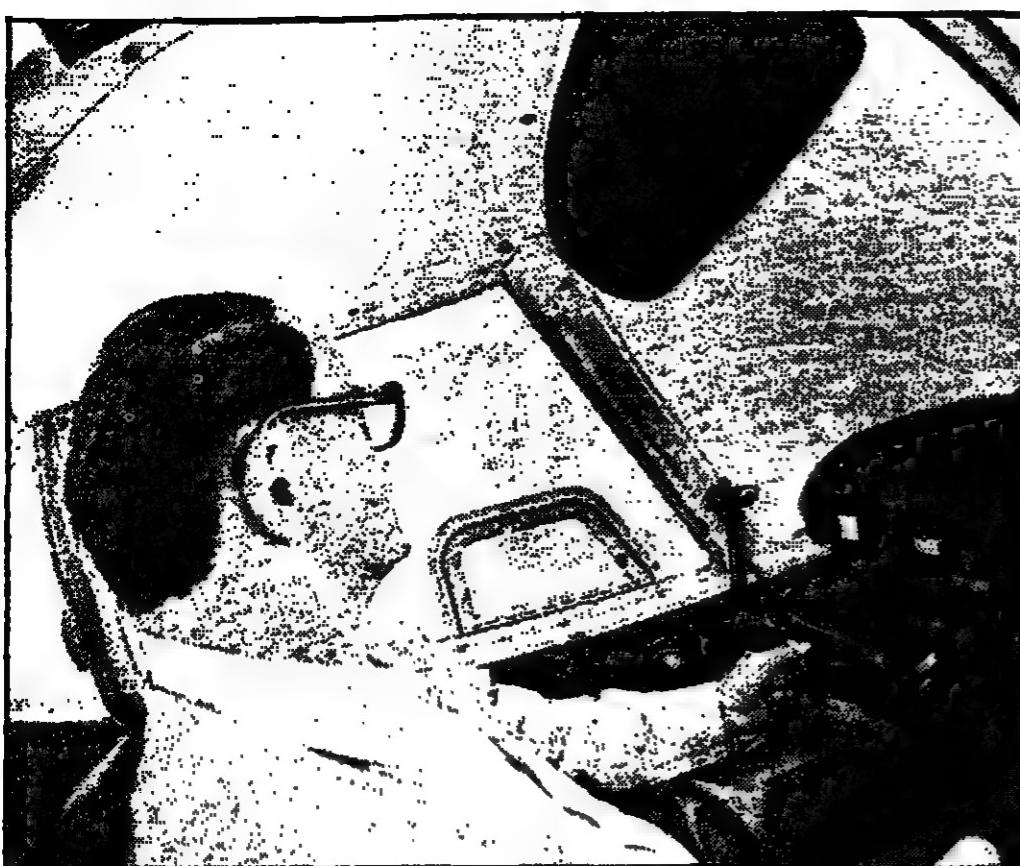
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ZIMBABWE 6



Agriculture

A bad year for farmers

THIS YEAR is likely to be the worst for Zimbabwe agriculture for more than a decade. The combination of what many farmers describe as the worst drought in living memory, the world agricultural glut and depressed tobacco prices are forecast to result in a 10 per cent fall in the value of farm production this year which - on its own - will cause a two to three per cent decline in real GDP.

Although agriculture has accounted for only ten per cent of economic growth since 1979, it remains the engine of economic expansion since when farming falters the other sectors have not been able to grow. This reflects the central role of farming exports, accounting for 42 per cent of the total in 1986, and also the sheer breadth of the agricultural sector which provides a livelihood for upwards of 75 per cent of the population.

The peasant sector's role has been crucial with crop sales by small-scale communal land farmers increasing ten-fold in the first six years of independence from a mere six per cent of the total to 18 per cent last year. Because of the drought there will be a sharp decline in output this year with maize deliveries forecast to fall by as much as two-thirds. This will be partially offset by increased cotton earnings with total cotton production - by both peasant and large-scale commercial growers - forecast to increase 17 per cent to some 290 000 tonnes.

Despite this, peasant sector incomes will be the lowest for

three years while in the large-scale commercial sector a substantial 50 per cent improvement in beef earnings will, to some degree, cushion the impact of sharply-reduced revenues from maize, wheat and coffee.

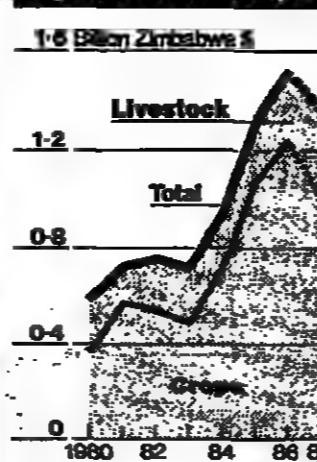
Traditionally tobacco and maize have been the mainstays of the agricultural sector. Last year, these two crops were valued at \$2640m (US\$160m) or 45 per cent of total farm income. Cotton (12 per cent of the total) and beef and sugar (about 9 per cent each) account for further 32 per cent, so that five products contribute some 75 per cent of total output.

A year ago, a new maize policy designed to reduce output after two seasons of excessive production was announced and this, allied with very poor rainfall, has resulted in a 75 per cent fall in maize deliveries, but because of the large maize stockpile, which currently stands at 1.5m tonnes or enough for two years' consumption, farmers see little prospect of a significant increase in the producer price and the present planting intentions of large-scale producers indicate a further 20 per cent cutback in the area planted out to maize. Farmers who - 20 years ago - were diversifying out of tobacco, because of economic sanctions, and into cotton, beef and grain, face a new and, in many respects, even more difficult diversification decision in the late 1980s. While beef, its prospects buoyed as a result of Zim-

babwe's 8,000 tonne beef export quota in the EEC, is a profitable product, many growers have burned their fingers in tobacco this year. Average tobacco prices are likely to decline by 25 per cent this year, reflecting the 4 per cent increase in leaf production last season, a poor quality drought-affected crop at a time of stagnation in demand. The market situation has been exacerbated by the weak US dollar, the accelerated rundown of the US stockpile and a larger and higher-quality European crop.

Subsidies to the state-owned agricultural marketing board have increased eightfold since 1980 to \$2235m (US\$140m) this year and with the Government anxious to trim its burgeoning budget deficit, the subsidy vote is the most obvious candidate for treatment.

Agricultural output



A Zimbabwean white farmer carries his crops from the soil. The more fertile land is still largely in the hands of a few thousand commercial farmers

Exports - especially of items that are not handled by the government marketing boards such as fruit and flowers - offer a way out by avoiding both the subsidy and the domestic pricing constraints. But this kind of diversification cannot be implemented overnight and is dependent on a competitive exchange rate if Zimbabwean producers, with their transport cost disadvantage, are going to penetrate European markets successfully.

The other diversification areas being developed by farmers include soybeans, groundnuts, cotton and to a much lesser degree coffee. In every case, profit margins are under pressure because of mounting input costs - tractors, farm machinery, spares, chemicals and pesticides - the glut in world supplies and Zimbabwe's geographical disadvantages as an exporter. For this reason, it is doubtful whether agriculture can maintain its role as the engine of economic growth.

That said, provided good rains fall over the next six months, there should be a strong agriculturally-driven rebound in the economy next year, but unless this is export-led the present import strategy will again undermine the recovery in 1988 just as it did in 1986. It is recognition of this reality that is hardening agriculture's resolve to look outwards over the next few years.

Tony Hawkins

"THE SOIL belongs to the people," Zimbabwean Prime Minister Robert Mugabe once said, "and the people must have it back." The war which led to black majority rule in Zimbabwe seven years ago was about more than political power - it was also about ownership of the land.

Guerrillas fighting for overthrow of the white Government in South Africa, where black have squeezed onto rural reserves making up a much smaller proportion of the land than was the case in Rhodesia - have put a similar emphasis on land rights and must therefore be watching Zimbabwe's progress with interest if not consternation.

An ambitious programme, backed by Britain and other foreign donors, to resettle peasants from the overcrowded communal areas (previously known as the Tribal Trust Lands) on land bought from white commercial farmers appears to have run out of steam.

With Zimbabwe's population growing at an alarming rate of more than three per cent a year, land hunger remains widespread and squatters have illegally occupied parts of some commercial farms and even state land set aside for resettlement by other peasants. But the figures show extraordinarily slow progress.

It was planned that 162,000 families would be resited by mid-1985. But then only about 35,000 had moved and in the two years since that date the total has risen to only 40,000 households. Government officials say the new target is to resettle 15,000 families a year, although this would mean the Government recommitting itself to a

project which is half of both these crops.

The causes of this - a successful agricultural development policy since 1980 which has provided black farmers with good producer prices, extension services, marketing facilities and credit - are by now well known.

One of the effects was temporally to ease the demand for resettlement.

"We need the land but we are not fighting the Government to say we need to be resited," says Mr Robson Gapare, who represents some 400,000 black farmers through the National Farmers Association of Zimbabwe. "Our policy is to say develop what you have first, and then if the Government comes up with something, take it."

Agriculture, particularly commercial tobacco farming, is certainly the backbone of the economy, but a desire to protect exports is only one of the reasons for the sluggish pace of resettlement.

Although there has been drought in Zimbabwe for four of the seven years since independence in 1980, peasant farmers in the existing communal areas have been remarkably successful in increasing their output and consequently their income. The quantities of maize and cotton from communal areas sold to the state marketing boards have risen as much as tenfold and fourfold respectively, and peasant farmers now produce half of both these crops.

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Mr Gapare's members have several priorities other than resettlement, including the provision of education and health services in their home areas.

For the Government, the costs of land acquisition - no white farms have hitherto been forcibly expropriated - and the indirect costs to the economy of the lower yields achieved by peasant farmers farming small plots are therefore reluctantly accepted by members of their families who would normally work as labourers on the family plot. New arrivals are also worried about the tenure arrangements for resettled land, as they do not have absolute title to the plot allocated to them.

The Rusitu Intensive Resettlement Project in eastern Zimbabwe, funded by Britain, is a dairy scheme which is suffering from some characteristic

Peasant resettlement

Land hunger widespread



Progress is slow in peasant resettlement

Some of the resettlement schemes themselves have not been particularly successful. There were a range of models, but at first the Government clearly favoured cooperatives. "In pursuance of the chosen socialist course of development more and more education will be given and mobilisation undertaken to instil in the farmers the virtue of cooperative and collective production as opposed to the present individualistic tendencies," says one official document.

The unfamiliar cooperatives were perhaps inevitably plagued with problems, not the least of which was lack of profitability, and the overwhelming majority of settlers chose their own five-hectare plots. Even here the farmers faced difficulties.

Settlers were short of capital and many former guerrillas, now rewarded with a patch of land, were short of farming skills. Services such as water, schools and buses were slow to come to some of the resettlement sites and farmers were therefore reluctant to bring in members of their families who would normally work as labourers on the family plot. New arrivals are also worried about the tenure arrangements for resettled land, as they do not have absolute title to the plot allocated to them.

In the long term the pressure on land in Zimbabwe can only increase with the rising population. Land hunger is a problem which has yet to be resolved. "If anything the need for resettlement is more than at independence time," says one official at the Ministry of Agriculture.

Victor Mallet

IF YOU CUT OUT ZIMBABWE YOU'RE CUTTING OUT AFRICA

Africa has to be the continent with more to offer in the way of business opportunity, than any other. And, Zimbabwe is right at the centre of the action. And, speaking of action, business action that is, the T.A. Group of Companies can give you plenty of it.

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Better Products, Better Life.

Tourism

Target is the big spenders

TOURISM IN Zimbabwe is a growth industry in spite of the sector's lowly position on the list of priorities pursued by the since independence.

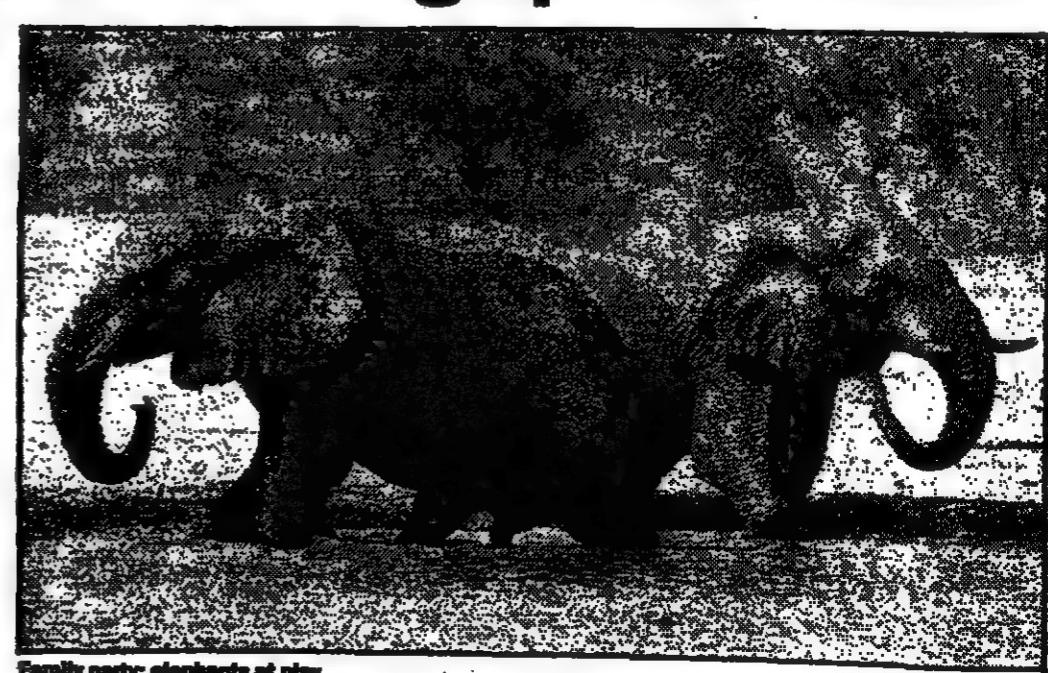
The number of visitors increased after the war from about 70,000 in 1979 to 365,000 last year, and the figure is still rising at 12 to 15 per cent a year. Hoteliers and others involved in tourism believe, however, that Zimbabwe needs to spend more money on publicity and that the Government has been slow to realize the potential of an industry which provides a rapid foreign exchange return on investment.

"We have grown," says Mr Wilbert Chihuri, Director General of the Zimbabwe Tourist Development Corporation, "but it is my contention that tourism can contribute much more to this moment." Officially, tourist receipts totalled about \$255m last year, less than two per cent of gross foreign income, but some analysts estimate tourism's real contribution to be more than three times as high.

Zimbabwe has no coastline, only the shore of Lake Kariba, but boasts a magnificent selection of game parks, the ruins of Great Zimbabwe, and the famous mile-wide Victoria Falls, known locally as Mosi-oa-Tunya, the smoke that thunders. The infrastructure of roads and services is among the best in Africa.

With average hotel occupancy rates remaining below 40 per cent since 1983, the availability of accommodation is not a constraint on the growth of tourism. In common with other businesses, hotels and tourist enterprises complain of a shortage of foreign exchange. But unlike some, they cannot claim export incentives in the form of preferential foreign currency for imports.

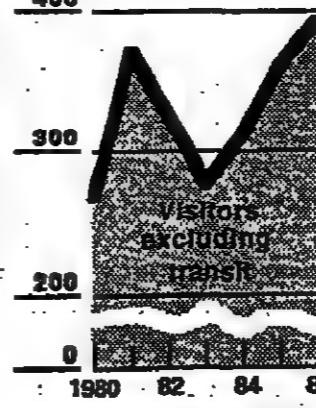
Tourism is granted a trickle of foreign exchange for seafood, wine and a few other items, but money for refurbishment of hotels or the purchase of luxury coaches is hard to come by. Critics are convinced that the policy is short-sighted, given the foreign exchange power of tourism and Zimbabwe's attempts to concentrate on a small core of high-spending visitors. Such travellers are likely to be bemused by a shortage of scotch



Family party: elephants at play

Tourism

Source: Central Statistical Office



Source: Central Statistical Office

aiming for quality tourism rather than the mass market because of Zimbabwe's limited carrying capacity. "We are not looking for millions. We would like to grow, but we must grow with caution, caution for our environment, caution for our people." He expects growth of the number of visitors to slow to between six and eight per cent a year after the annual influx reaches 500,000.

The raw figures can be misleading - most visitors are not overseas tourists but travellers from South Africa, Zambia and other African countries.

Tourism from overseas is nevertheless increasing after a dip which followed the abduction and murder of six tourists by rebels in Matabeleland in 1982. Two West Germans were shot dead in the same region this year and the industry remains vulnerable to bad publicity, although Zimbabwe's competitors, Kenya and South Africa, also have image problems. At present the visitor is probably more likely to be attacked by Humphrey - an aggressive hippopotamus who dislikes canoeists disturbing him on the Zambezi - than by guerrillas.

Zimbabwe's tourist authorities are trying to attract Europeans and Americans and have been particularly encouraged by a growth in the number of visitors from Australia, which with New Zealand provided nearly 6,500 visitors in 1986. That compares with about 140,000 visitors from South Africa (which Zimbabwean tourist promotion is, for political reasons, somewhat low key), more than 54,000 from Europe and nearly 15,000 from the United States and Canada.

Promotion in the years-ahead will probably also focus on Scandinavia and Japan. "We found that the Norwegians were the highest spenders," says Mr Chihuri, "but there are only a handful of them."

Zimbabweans in the tourist industry, while accepting the Government's desire to spend on social services, want more funds to be allocated to a sector capable of generating employment and foreign exchange. The struggling hotel business, they hope, might persuade the Government to take action.

Victor Mallet

INTERNATIONAL APPOINTMENTS

Mortgage head steps to Goldman from Salomon

BY OUR FINANCIAL STAFF

MR MICHAEL MORTARA, former head of mortgage securities trading at Salomon Brothers, the Wall Street investment house, has joined Goldman Sachs, one of its rivals in the investment banking field, as head of mortgage trading.

At Salomon, Mr Mortara was a key deputy of Mr Lewis Ranieri, the former head of the firm's mortgage business. In a shake-up in July, Mr Ranieri was dismissed and Mr Mortara was ousted as the company tightened its management controls.

Goldman, meanwhile, has been without a head of all mortgage trading for some time. Mr Mortara will become a general partner in the house at the beginning of the 1988 fiscal year.

Mr Mortara is to have responsibility for all Goldman's mortgage trading operations, including pass-throughs, whole loans, receivables and commercial mortgages.

He will report to Mr John S. Corrino on capital commitment matters and will co-ordinate

Luz makes solar energy switch

By Judith Meltz in Tel Aviv

MR ISRAEL KROISER has been appointed president of Luz Industries Israel Ltd, the solar technology concern.

He joined Luz in 1980 as a senior engineer and was the main designer of the first solar power system built in China.

Mr Kroiser was then appointed vice-president of engineering, and in 1986 became executive vice-president of the company.

He is readily identifiable by his sandals and kippah, the skullcap traditionally worn by religious Jews; the 35 year old newly appointed president holds a master's degree in mechanical engineering from the Haifa Technion.

Mr Kroiser says in a statement of corporate objectives, made on his assuming his new post: "We will be putting special emphasis in the development of future solar energy technology to help the company retain its competitive edge in the energy fields."

He also announces that the company is to continue to support existing projects in the US, while emphasising the local development of solar technology.

Corporate finance move at Chemical

CHEMICAL BANK, the New York money centre banking house, has appointed Mr Roger M. Widmann head of US corporate finance. Mr Widmann, who joined Chemical in May last year, was previously managing director in charge of Chemical's special industries division.

Replacing Mr Widmann as managing director and head of the special industries division is Mr Alan R. Buckwater III, managing director. Both are to report to Mr William B. Harrison, group executive for the banking and corporate finance group.

Mr Widmann remains a managing director in Chemical's banking and corporate finance group. Mr Robert J. Harrity, Jr and Mr Richard Y. Smith, both managing directors, are to report to Mr Widmann. Mr Harrity will have senior marketing and deal responsibilities for Chemical's US corporate clients, and Mr Smith operating responsibility for the various corporate finance units.

Mr Widmann joined Chemical with responsibility for corporate finance services in natural resources firms, utilities and other clients served by Chemical's special industries division, becoming head of special industries this February.

He had previously been founder and managing director of First Reserve Corporation. He was before that senior vice-president, corporate finance, at Donaldson Lufkin & Jenrette.

MERRILL LYNCH, the Wall

Street investment house, has appointed Mr Joachim Romero-Maura an executive director of Merrill Lynch Europe. He has taken on the post of heading the investment banking activity of Merrill Lynch Europe in France.

Mr Romero-Maura was assistant general manager and treasurer of Williams & Glyn's, the UK clearing bank, until 1984, and then became head of business development for Citicorp Investment Bank of the US in France.

Mr Widmann remains a managing director in Chemical's banking and corporate finance group. Mr Robert J. Harrity, Jr and Mr Richard Y. Smith, both managing directors, are to report to Mr Widmann. Mr Harrity will have senior marketing and deal responsibilities for Chemical's US corporate clients, and Mr Smith operating responsibility for the various corporate finance units.

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MERRILL LYNCH, the Wall

SENIOR CONSULTANT to £40,000 + benefits London

The consultancy arm of a major professional practice seeks an experienced management consultant aged 30-40 to manage a variety of projects. Sharp and experience within marketing, production, engineering, planning or finance would be advantageous. Partnership prospects are excellent within the medium term. Ref: DES 450

FINANCIAL CONTROLLER c£30,000 + car + benefits Sweden/Denmark

Autonomous subsidiary of advanced technology plc seeks to strengthen its general management team by the appointment of a qualified accountant aged 26-35. A facility in either Swedish or Danish is imperative together with proven staff management and systems skills. The vacancy carries a very generous benefits package. Ref: MJH 307

TREASURY MANAGEMENT c£27,000 + car Herts

A qualified accountant aged 30-40 who can demonstrate experience in treasury/cash flow management and control is urgently sought for this newly created role with a very profitable high technology manufacturer. An appreciation of commodities, foreign exchange and the workings of an international group would be advantageous. Ref: MJH 232

CORPORATE FINANCE £27,000 + car London

Blue-chip financial services group seeks a qualified graduate accountant for their international finance and planning division. As manager you will supervise the development of information systems for the overseas operations and head special projects involving acquisitions and capital appraisals. Career opportunities for ambitious candidates. Ref: AN 433

RECENTLY QUALIFIED to £25,000 + car Banks

Dramatic growth by this international manufacturing and marketing organisation has created the need for a high-calibre Chartered or Certified Accountant. The position covers a broad spectrum of accounting activities including financials, taxation, audit, credit management and analysis. Outstanding prospects and benefits including relocation assistance where appropriate. Ref: AC 298

OPERATIONAL REVIEW c£24,000 London based

Several of our most influential clients currently require accountants with industrial or commercial backgrounds for high-profile project/audit roles. Exceptional communication skills plus a willingness to travel extensively are of prime importance. All roles offer exceptional career possibilities to ambitious accountants. Ref: RK 260

HUDSON SHIRIBMAN
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New chief executive at Gerber

GERBER PRODUCTS Company, the diversified Michigan baby products concern, with interests ranging to clothing, transport, life insurance and printing has announced that Mr David Johnson will join the company by October 19 as chairman, president and chief executive.

Mr Johnson, 55, was lately president and chief executive of Entenmann's, a subsidiary of Philip Morris Company, the diversified US tobacco group, by way of its MO General Food Corporation subsidiary.

Mr Johnson succeeds Mr Leo Gerber, chairman, on July 5, in the role of chief executive, and Mr William McKinley, who stepped down in May as chairman.

* * *

LORAL CORPORATION, the

New York electronics-based defence concern, has appointed Gen Lawrence A. Skantz, 59, who has retired from the US Air Force, to the board of Loral International, a subsidiary.

Gen Skantz served most recently as commander, Air Force Systems Command at Andrews Air Force base in Maryland, where he directed the research, development, test and acquisition of defence electronics and aerospace systems.

Loral International and its subsidiaries manage the marketing, contract administration and financial functions for Loral Corporation's defence electronics programmes overseas.

Accountancy Appointments**Financial Controller**

West End

c. £25,000 + Car

Based at Head Office, the Financial Controller will have responsibility for group reporting and the financial management of the decorating division. Key aspects of the role will include the compilation and reporting of group statutory and management information, and at a divisional level, controlling the preparation and analysis of accounts and cost information, planning, budgeting, tax and systems development.

Candidates should be chartered accountants in their late 20s/early 30s with at least two years commercial experience preferably gained in a service organisation using computerised time recording systems. Presentation must be excellent and candidates should be articulate, practical and suited to working as part of a close knit team in a high profile business where service is all important. (Ref ER 948)

Company Accountant

Wimbledon

c. £20,000 + Car

This position is based with the wholesale and retail division and has responsibility for day to day financial management, including managing staff in the preparation of accounts, planning and budgeting, cash flow forecasts, taxation and ensuring the implementation of proper controls. Candidates should be qualified.

accountants with practical accounting experience gained in the computerised accounting function of a retail/wholesale company. You must be well organised, have good communication skills and be able to work in a close knit team where personalised service is important. (Ref ER 949)

If these outstanding opportunities appeal to you please write, quoting the appropriate reference number and giving concise career, personal and salary details to:

Michael Fahey, Arthur Young Corporate Resourcing, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.

Arthur Young Corporate Resourcing

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Chief Accountant (Hi-Tech)

Northern Home Counties

to £25,000 + car + relocation

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Following a recent internal promotion a rare opportunity has arisen for a bright, ambitious, qualified accountant to join the Senior Management team of this well respected manufacturing operation. This unit has a sound reputation for quality and cost effectiveness and is one of the world's most advanced manufacturing facilities of its kind.

As Chief Accountant, providing a complete management and statutory reporting service, you will be responsible for supervision of a large team of professional and general accounting staff.



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at MERIT RECRUITMENT on (0256) 471688

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City c. £22,000 + full bank benefits

This appointment for a young ACA offers more operational involvement, both in daily business and management strategy than many accountants get in a lifetime.

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Working with another graduate ACA you will aim to facilitate commercial success.

In addition to monthly performance evaluations and financial plans (presented at Board Level) your analysis and interpretation of management information (e.g. reports on customer profitability and on product costs) for the bankers will directly influence marketing policy and product pricing strategy. You will also advise on tax, transfer pricing, complex lending transactions, computer-based packages etc. as required.

This is a fast track appointment. On past evidence, the development of your financial intelligence, your familiarity with banking products and your contact with senior personnel will provide career opportunities both in banking and in Financial Control.

Applicants should be ACAs in their mid twenties of sound academic background and above average personality.

For more information please contact Valéek Caglowski

Tel: 01-726 4301 (evenings and weekends 01-274 6166)

6 Foster Lane, London EC2V 6HH

FINANCIAL RECRUITMENT PARTNERSHIP

**Development Finance Manager**

A major international group with offices in London requires an experienced Development Finance Manager for its UK-based property company.

Reporting directly to the Managing Director, applicants for this interesting and rewarding position should be suitably qualified, aged between 30 and 40 and have a sound working knowledge of the property business. They will possess experience in the development and negotiation of financial packages for projects and corporate purposes as well as an extensive and detailed understanding of

relevant UK taxation and taxation planning.

In return, we offer an attractive remuneration package commensurate with experience and qualifications, including an excellent salary and many additional benefits. It is envisaged that this position will lead to a full Board appointment.

Interested applicants should reply with full CV and supporting details to: Jeremy Sharp, ABGH Advertising & Recruitment Services Limited, 87 Jermyn Street, London SW1Y 6JD, quoting Ref: FT787.

ABGH Executive Recruitment

US INVESTMENT BANK SECURITIES

29-35

c£60,000 pkg.

ACA

This dynamic and aggressive competitor in the International Capital Markets commands a reputation for innovation and response to change. The firm is undergoing rapid expansion in its London-based trading activities. An opportunity for a key individual has been identified within the Fixed Income-Trading Control area to complement and develop the existing management team.

Primary responsibilities will involve analysing and developing management information systems and financial controls within a volatile operations environment. Close liaison with the trading floor and other functional areas will be required in order to identify effective business solutions.

The skills required for this position are likely to have been

gained within an international securities house, investment bank or broking/fund management group. In addition to a strong academic background, the individual will be both proactive and enterprising, possess excellent management skills, and have the ability to succeed within a challenging and demanding environment.

The salary package will consist of a high base salary, substantial bonus and company car. The prospects for short term career progression are excellent.

Please contact: Anna Marshi or James Hyde, on 01-930 7850 or in the evenings on 01-486 0940. Alternatively, write enclosing full details to the address below. All contact will be treated in the strictest confidence.

ROBERT WALTERS ASSOCIATES

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Experience in the travel industry and with computerised systems is preferred.
A competitive salary will be offered commensurate with experience and ability.

Please forward cv to:
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PO Box 150,
Sutton Court
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Slough
Berkshire
SL1 6AT

Financial Planning Manager

N W Midlands

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This newly created position within a major multi-site manufacturing division (to c£50m), which is marketing led, reports to the Financial Director.

The role will have responsibility for a small team to develop the management reporting systems in addition to financial planning, evaluate new product developments and consider expansion plans through both organic growth and possible acquisitions.

Candidates, age indicator early 30's, should be qualified graduate calibre accountants possessing good inter-personal skills, having worked with sophisticated systems and senior executives.

An attractive remuneration package includes a bonus scheme, fully expensed car and if relevant relocation expenses. Proven success should lead to promotion within this UK group plc.

Please write enclosing full resume quoting ref: 141 to:
Nigel Hopkins FCA,
97 Jermyn Street,
London SW1Y 6JE.
Tel: 01-839 4572

Cartwright Hopkins

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ACMA ACA ACCA ACT MBA

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We're looking for graduates, aged between 25 and 38, who have risen through industry, financial services or the profession and have a background in financial/management accounting, internal audit or treasury. Joining our Financial Services Group offers you the opportunity to establish a role of considerable influence, providing financial and treasury advice to many of the major players in the most buoyant sector of the UK economy. Consider the facts and you'll soon discover why this is such an attractive career option for those with the talent to succeed.

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dynamic atmosphere of constant change and giving advice that counts to the people who matter. You'll be joining a dedicated, multi-disciplined team, leading the way in strategic business development, performance monitoring, risk management and information technology.

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The successful applicant will head the Society's accounting function and will have overall responsibility for treasury, financial procedures and control. The broadening range of services provided by building societies demands an innovative attitude to the role in addition to the vigorous professional approach essential for success in a financial institution.

This opportunity will be of particular interest to candidates who see their longer term future in general management. Success in the role could provide access to more senior posts where the candidate would play an important part in developing the Society's future strategy.

Applicants should be qualified, preferably chartered, accountants, probably in their thirties, who have had relevant experience in the financial sector. Emphasis will be placed on candidates' readiness to meet the challenge presented by the newly enlarged powers of building societies.

Personal qualities will, therefore, be important in making the final selection decision.

The attractive remuneration package will include the provision of a motor car, concessionary mortgage facilities, contributory pension and life assurance scheme and BUPA membership. Assistance will be given with re-location expenses where appropriate.

Please apply, in confidence, enclosing a full curriculum vitae to David Bannister, Executive Selection Division, quoting reference L747.



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establishment of efficient and effective systems and procedures and the recruitment of staff.

Candidates should be chartered accountants with previous experience of international banking operations, and fully conversant with computer-based accounting and management information systems. Involvement in a "start-up" operation would be a particular advantage. Please reply, in confidence, enclosing full career details and quoting reference I3581, to Valerie Fairbank.

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In conjunction with this, the company is seeking to recruit three accountants who will form a new team to produce a series of essential reports on the numerous systems currently in operation - to review, evaluate and make cost effective recommendations on improvements. On completion of this project there will be extensive systems development and accounting opportunities both within this division and the group.

Applicants should be qualified

accountants with audit or systems development experience.

- Two will have at least two years' post qualification experience and one of these must have specialised in computer audit.
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Age range is mid/late 20s and, as there will be extensive liaison with management and staff of all disciplines, strong communication and reporting skills are essential. Salaries are negotiable according to age and experience and the extensive benefits package includes relocation assistance where appropriate.

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Base location London. Relocation assistance available if necessary. Please reply in confidence quoting ref. L323 to:

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Tel: 01-240 7805

Mason & Nurse
Selection & Search

Partnership Accountant/Secretary

South London £23,000 to £24,000 plus car

Our Client is one of the largest firms of Chartered Building Surveyors with headquarters in South London and offices in the City and main provincial centres. The Firm wishes to upgrade the financial and administrative functions to manage a steadily growing income by recruiting a qualified accountant who will take full responsibility for these duties, reporting directly to the Senior Partner.

Candidates must be ACA or ACCA aged between 26 and 32 and have experience of small computerised accounting systems. Professional practice accounting or audit background would be a distinct advantage.

Please forward a full CV with salary details, quoting reference LM612, to Terry Fullers, Spicer and Pegler Associates, Executive Selection, 13 Bruton Street, London W1X 7AH.

Spicer and Pegler Associates
Executive Selection

INTERNATIONAL AUDIT

Our client is a prestigious, dynamic financial services group based in the United Kingdom, France, the United States, Far East and the Middle East. In line with a firm commitment to its growth and development it wishes to complement its existing Audit team with additional talented professionals.

Deputy Audit Manager - International Banking (ref. 01)

We require an ambitious Accountant to supervise those reviews performed by the Audit department of the diversified activities of the Group in its international locations. Based in London and reporting to the Vice President of the International Audit region, your responsibilities will include all activities pertaining to the performance of audit assignments, including planning, supervision and report production, and ensuring that standards, quality and deadlines are adhered to. An understanding of systems-based auditing techniques and the ability to communicate at all levels are essential.

These positions offer a challenging and exciting opportunity to make a significant contribution to a rapidly expanding financial group. They are key positions and therefore we expect candidates to demonstrate all the qualities necessary to fulfil them within an international organisation. The salary packages will reflect the levels of responsibility.

Please call Cathy Walsh and her team at Resources International, quoting the advert ID and job reference number, on 01-388 4253 until 10.00 pm. each evening, or on 01-388 8386 late evenings and weekends.

RESOURCES
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DP Auditor - Paris (ref. 02)

You will be an innovative and energetic individual reporting directly to the Vice President - Group DP Auditor. Based in the Group's Paris office you will be required to assist in reviewing the controls and security aspects of live production systems and those in the course of development. Your experience will have included all areas of DP audit and systems assurance preferably with an understanding of IBM systems. You must be fluent in French and be a self-motivated person who enjoys a high profile position but maintains a pragmatic approach. The Group has a high commitment to new technology including data processing and communication systems, therefore you must demonstrate an interest in and awareness of technology and its position within the financial services industry.

Please write in confidence quoting reference 7295 and submitting a curriculum vitae and salary details to:

Binder Hamlyn

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Consultancy work is demanding but intensely satisfying. You can expect variety - from strategic planning, profit improvement programmes, corporate turnarounds, through treasury, accounting and MIS systems to introducing new commercial systems such as order processing and inventory management.

To discuss the advantages of a career with us please write, enclosing a current CV, to Paul James, Manager of our Financial Management Division, at Binder Hamlyn Management Consultants, 8 St Bride Street, London EC4A 4DA.

Financial Controller

West London

Neg £30,000 + car

Our client is one of the largest independent hospitals in the United Kingdom caring for some 15,000 patients a year. The hospital offers a broad range of patient care facilities.

The Chief Executive Officer is planning to introduce modern cost effective systems and identifies this senior appointment as a critical step in a period of change. This role forms part of the senior management team and encompasses financial, computing, investment, commercial and secretarial responsibilities.

The successful applicant will be a qualified accountant with appropriate management experience. Practical experience of introducing computer systems and a hospital, hotel or service industry background is essential. Short term accommodation can be arranged for out of London applicants.

Please write in confidence quoting reference 7295 and submitting a curriculum vitae and salary details to:

Peter Childs Esq
Director
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
London EC1N 8JA

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Employers: Our consultant J. Bennett will be happy to discuss our services. Telephone him on 01-741 8011.

F. H. Tomkins plc

TOMKINS wishes to appoint two ambitious executives to its small head office team.

Applicants, ideally qualified accountants between 28 and 42, should have an analytical mind and have already gained appropriate experience in the City or with an acquisitive industrial group. Self-motivation, drive, commitment and a commercial outlook are essential. Excellent scope for career advancement.

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will be responsible for seeking out and assessing acquisition and organic growth opportunities as well as carrying out investment research. He/ she will also assist in post-acquisition integration.

Corporate Finance Executive:

preferably with legal experience, will be responsible for a wide variety of corporate finance activities in addition to working with the Business Development Manager and divisional directors in completing add-on and infill acquisitions.

Attractive salary packages, commensurate with experience, will include share options and usual executive benefits. Please send personal and career details, highlighting particular talents and experience considered relevant, together with photograph to:

I. A. Duncan, F. H. Tomkins plc,
East Putney House,
84 Upper Richmond Road,
London SW15 2ST.

GROUP FINANCIAL EXECUTIVES

The Barker & Dobson Group, with an expected turnover of £280m in 1987, have a wide variety of interests from confectionery manufacturing and trading to food retailing.

Recently announced interim results reflect the transformation and successful growth of the Group over the past 2 years, in which it has grown organically and by acquisition and is now producing record profits.

Further substantial growth is planned and we require two well qualified, self motivated accountants, who will not only initiate acquisition opportunities but manage their integration into the expanding group. Exceptional experience will therefore be gained leading to further career opportunities. Whilst divisional financial management or group financial control are possible career paths, we would expect the successful candidates to also consider general management roles with full profit responsibility.

Both positions will be based at the Group's office in Ruislip and will report direct to the Main Board. Some UK travel will be necessary.

Applicants should be qualified accountants under 30 with outstanding relevant experience.

An attractive salary and benefit package will include company car, private health insurance, eligibility for share options and contributory pension scheme.

If you have skills, experience and drive, please write giving full career details to Mr K. McCartney, Group Personnel Director, Barker & Dobson Group plc, P.O. Box 9, Stonefield Way, Ruislip, Middlesex HA4 0JR. Telephone: 01-422 9511.

Barker & Dobson Group plc.



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Please write in confidence, quoting reference T3972/L, to Joanna Cott.

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Company secretary

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Interested candidates should contact Geoffrey Rutland on (01) 829 8070, or send a detailed curriculum vitae, quoting ref L285F to him at Slade Consulting Group(UK) Ltd, Metro House, 58 St James's Street, London SW1A 1LD.

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City of Cambridge

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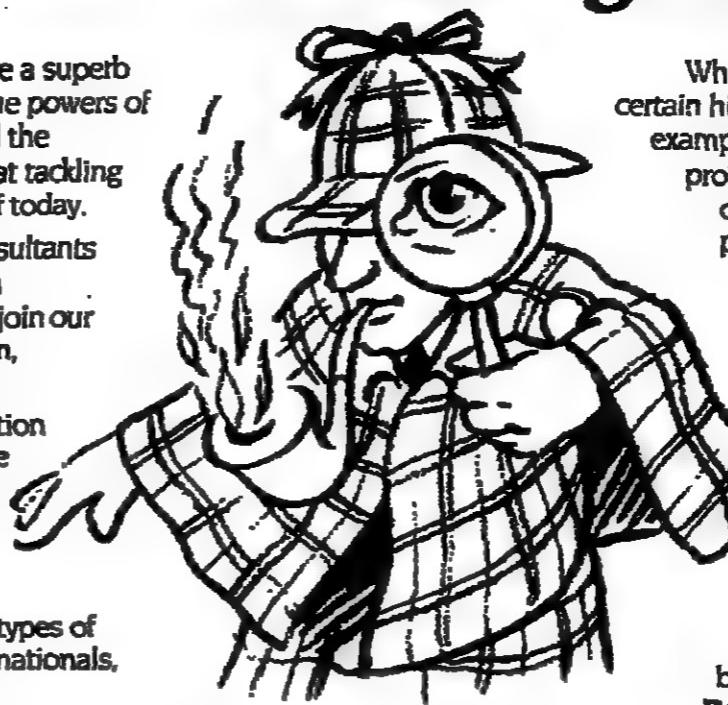
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Candidates will be Chartered Accountants with experience in a manufacturing environment. A strong commercial awareness and familiarity with computerised accounting systems are also essential. For applicants in the 27-35 age range, prospects are excellent.

In addition to a negotiable salary and company car, the remuneration package includes pension, private medical and accident insurance schemes.

Write with full CV to: Delta Hoban, PER, 20 Broad Street Mall, Reading RG1 7QB.

PER

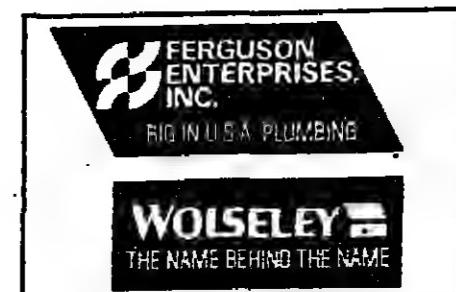
Management Selection

SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Thursday September 17 1987

DOUGLAS
CONSTRUCTION
GROUP



WOLSELEY
THE NAME BEHIND THE NAME

Henkel forms French joint venture with Colgate-Palmolive

BY HAIG SIMONIAN IN FRANKFURT

HENKEL, the West German specialty chemicals and detergents group, has reached agreement with Colgate-Palmolive of the US on a French joint venture to manufacture the household care products of Leissons-Cotelle, the French washing and detergents company which Henkel bought in June for FFr1.65bn (\$330m).

Meanwhile, Henkel France will market Cotelle's household cleaners, dishwashing products and fabric softeners, which have total annual sales of about FFr700m.

The deal means that Henkel is effectively selling a half share in Leissons-Cotelle since renamed Cotelle and which last year had sales of FFr1.35bn, to Colgate's French subsidiary for FFr910m.

Colgate-Palmolive France is buying the marketing rights to a variety of Cotelle products, including chlorine bleaching agents, bar soaps, window and household cleaners and toilet bowl cleaners, with total sales of about FFr300m.

Colgate-Palmolive France, which had sales in France last year of FFr1.5bn, is also taking on Cotelle's clear.

Lorimar to sell ad agencies for \$143.2m

BY DEBORAH HARGREAVES IN NEW YORK

LORIMAR TELEPICTURES, the California-based television producer, has agreed to sell its three advertising agencies, Kenyon & Eckhardt; Pope Tyson; and Bozell, Jacobs to a Bozell management group for a total of \$143.2m.

The sale, which continues the company's current restructuring programme announced in April, will enable Lorimar to concentrate on its core entertainment and production business, Mr Merv Adelson, chairman, said.

Lorimar, which produces well-known television series Dallas and Knots Landing, has made several restructuring efforts since it was created in February last year. In June, it abandoned its attempt to set up its own network of television stations and agreed to sell those it had already acquired.

The sale of its advertising units, which should be complete within 75 days, comes after the company posted a loss of 15 cents a share in the second quarter. Lorimar's stock was up 5% in early trading yesterday to \$18%.

The Bozell, Jacobs management group said it has engaged Merrill Lynch to arrange financing for the sale, which includes agreement to pay \$22.2m of the purchase price in future installments. Bozell, Jacobs - with annual billings of more than \$1.4bn - is the 13th largest US advertising agency. Pope Tyson has billings of \$71m.

Equiticorp increases Guinness Peat bid

By Terry Povey in London

EQUITICORP, the New Zealand banking and investment group, has increased its bid for the Guinness Peat Group (GPG), the UK banking and fund management group, by 5p to 115p a-share, but British publisher Mr Robert Maxwell was yesterday trying to promote rear guard resistance to the offer by buying 5m GPG shares at higher prices.

After a series of overnight meetings with Equiticorp on Tuesday, Guinness Peat decided not to recommend the increased offer which values it at £350m (£557m), describing it as inadequate.

However, while the GPG board is keen to obtain an improved offer, the level of the group's opposition to the Equiticorp bid is clearly more muted.

GPG's changed mood was apparent in the decision of its board to agree to the lifting of Takeover Code Limitations in Equiticorp which blocked the bidder from making further share purchases before Friday.

As a result, the New Zealand company acquired an additional 11.9m shares yesterday from the managers of Forstmann-Leff, the US fund management subsidiary acquired by GPG in October 1986.

This share purchase takes Equiticorp's total holding in GPG up to 32.2 per cent. Of the outstanding shares, 2.6 per cent are owned by Mr Joel Leff, who is prevented by his membership of GPG's board from selling his shares at this stage, and a further 5.7 per cent is in the hands of Lord Kissin, GPG's founder.

Yesterday Lord Kissin announced that he would not sell any of his shares for six months in addition, he is sub-underwriting, for no fee, part of Equiticorp's increased offer.

There is still confusion as to Mr Maxwell's intentions.

See Page 18

Gordon Crabb in New York assesses the US producer's ambitious growth plans

Pickens spurs Newmont Gold rush

NEVADA appears to have become little short of Nirvana for minority shareholders in Newmont Gold, the operator of five open-pit gold mines covering a 400 square mile area in the north-east of the state.

Their company, which already claims the largest gold reserves in North America, has suddenly announced that these are expected to prove almost half as much again and exploration efforts are being doubled.

Production will rise accordingly by 50 per cent next year and the same margin in 1989. This will make Newmont Gold the leading producer of the metal in the US and Canada, putting Homestake Mining and even Canada's newly-formed Placer Dome into the shade.

Shares in Newmont Gold, floated 15 months ago, have quintupled to value the company at nearly \$5bn.

This flurry of new development activity - and 50% of the rise in the stock price to a current \$46 - has come since August 13. That was the day Mr T. Boone Pickens and his Avianca Partners emerged with a near 10 per cent stake in Newmont Mining, the gold company's parent, and later proceeded to bid for the rest.

Analysts are amused at the swiftly-changing company projections being pushed for Newmont Gold from the group's Park Avenue headquarters in Manhattan.

Expansion moves, which were

publicly heard Mr Peter Philip, Newmont Gold president, speak of "an aggressive new business plan and capital investment programme."

Under this, next year should see 913,000 oz from Newmont Gold, while the 1988 figure was raised to 1.4m oz. Thereafter, it will reach 1.6m oz in 1990, a level which can be sustained through 1992 and beyond, based on current proven and probable geologic reserves of 14m oz,

he added.

Over that fortnight, in other words, Newmont had found ways of extracting and processing closer to a quarter more metal for the next two years. At today's bullion values, just that latest boost to production targets would, if met, bring in an extra \$210m. The combined effect of the two-stage raising of output ambitions would yield nearer \$300m.

So how is this to be achieved?

First, capital spending over the five years is to be doubled to \$400m compared with the outlay originally planned. By 1990 the properties will be served by four mills rather than the current two, and leaching facilities for lower grade ore will also be more than doubled from current capacity.

Newmont Gold thus promises to be the first company in the history of North American mining to produce a million ounces in a single year," he said. This was from proven and probable reserves of an estimated 14m oz.

Barely two weeks later, on September 11, mining analysts and the

public heard Mr Peter Philip, Newmont Gold president, speak of "an aggressive new business plan and capital investment programme."

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INTERNATIONAL COMPANIES and FINANCE

This announcement appears as a matter of record only.

September, 1987

**PHILIPS****N.V. Philips' Gloeilampenfabrieken**

(Incorporated with Limited liability in the Netherlands)

U.S. \$300,000,000

Euro-Commercial Paper Programme

Dealers
Bankers Trust International Limited
Citibank Investment Bank Limited
Credit Suisse First Boston Limited
Swiss Bank Corporation International Limited

Issuing and Paying Agent
The Chase Manhattan Bank, N.A.

Brierley investment vehicle ahead

INDUSTRIAL EQUITY (IEP), Mr. Ben Brierley's Hong Kong-based investment vehicle, showed a jump of 15% per cent in holding costs of an expanded share portfolio, according to results released yesterday for the year to June.

IEP, owned 51 per cent by Brierley Investments and 18 per cent by Industrial Equity said the holding costs of new investments always exceeded the initial return.

IEP earlier reported net profit rose to HK\$419.1m (US\$43.7m) in the year ended June 30 from HK\$316.2m in 1985-86 on sales up at HK\$515m from HK\$3.21bn.

Earnings per share doubled to 125 cents from 76, despite capital issues in January and the effect of absorbing a HK\$2.7bn increase in its share portfolio to HK\$9.37bn at balance sheetdate.

The company said the cost of its share portfolio, mainly British and US companies, was HK\$7.16bn.

Most of its investments are held with a view to eventual full or partial acquisition or other degrees of permanent relationship. In recent years it had made more disposals than normal because of buoyant share markets but the prime objective remained expansion by acquisition, it said.

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Sales were up 26 per cent to HK\$4.011m, including for the first time a full half-year contribution from Maxims, acquired in September 1986.

The company, 35 per cent of which is held by Jardine Matheson, was spun off from Hong Kong Land when it was demerged in August 1986. In July this year, it succeeded in a £147m (US\$241m) partial tender offer for 25 per cent of Kwik Save, the UK discount food retailer. It also has operations in Australia, where it owns Franklins, the country's third largest food retailer, and in China, where it operates a joint venture producing ice cream in Guangzhou.

Mr Simon Keswick, chairman, said the company's Hong Kong operations had benefited from the strength of the economy, and that it would continue its strategy of expanding into new markets in the Far East. A further factory was planned in Guangzhou, and the company had received government approval for a supermarket and drugstore chain in Taiwan.

As a result of property sales, a share issuance to Jardine Matheson and a planned issuance of US\$150m, the company would be debt-free by the end of the year.

That compares with an estimate in June of a 4.2 per cent drop, and an 8.8 per cent decline in the whole of 1986/87.

The survey covered 363 companies with an April to March

financial year and listed in the first section of the Tokyo Stock Exchange.

Current profits of manufacturing industry will rise 31.2 per cent in 1987/88, up from an earlier estimated 20.2 per cent

rise and a 22.6 per cent drop in 1986/87, the Nomura report said.

But profits of non-manufacturing industry will fall 22 per cent

in 1987/88, mainly because electric power companies face large

Pacific Dunlop profits expand

BY CHRIS SHERWELL IN SYDNEY

INCREASED EARNINGS from the sale of condoms and surgical gloves have contributed significantly to the broad-based improvement in revenues and profits at Pacific Dunlop, according to results released yesterday for the year to June.

The Australian rubber products and electrical goods conglomerate reported a 34 per cent increase in after-tax profits to A\$148.1m (US\$108.2m) from A\$110.5m, on a 11.2 per cent rise in turnover to A\$2.57bn.

The group said the figures, which were reported on an equity-accounted basis, pointed to a compound annual growth rate in earnings of 30.3 per

cent since 1980. Earnings per share increased from 27.5 cents to 52.5 cents, while returns on shareholders' funds rose above 20 per cent to 20.9 per cent for the first time.

The dividend was lifted 1 cent to 15.5 cents per share, fully

paid-up profit to A\$43m. Growth in the US and Europe was strong, and the group said Ansell International, operating at full capacity worldwide, improved its position as the world's largest manufacturer of condoms and latex medical and household gloves.

The batteries division was handed out of the red to make a small A\$1m profit. Sales and profits in Australia and New Zealand were up, but the group said overall earnings were held back by restructuring costs at Pacific Chloride in the US.

Tyre manufacturing and retailing was the only division to show a fall, but the group said excellent progress had

been made combining the operations of Dunlop Olympic and Goodyear in Australia, New Zealand and Papua New Guinea. This merger, completed last March, created South Pacific Tyres, Australia's largest tyre business.

In footwear, Pacific Dunlop expanded in the US market and said that in Australia it now sold four out of every 10 pairs of shoes purchased.

Overall it said about 25.6 per cent of its revenues and 33.3 per cent of its earnings came from outside Australia. Directors said the group planned to increase the earnings share in the current year.

Chevron to sell Angolan stake

BY OUR FINANCIAL STAFF

CHEVRON said on Tuesday it will sell part of its stake in an Angolan oil partnership in the next few weeks to the Italian national oil company AGIP.

Chevron said the sale, which analysts value at about \$200m, is part of the company's efforts to cut its \$8.3m debt, largely caused by the purchase of Gulf Corporation in 1984. Chevron recorded its first quarterly loss in 33 years in the last quarter of 1986, and has been hard hit by the slump in oil prices.

Chevron acquired the Angolan interest when it bought Gulf, which has been active in Angola for about 30 years. The company will now sell one-fifth of

its interest, or about 10 per cent of the stake in the oil partnership in the African nation. Sonangol, Angola's national oil company, owns 51 per cent and Cabinda Gulf, a unit of Chevron, currently owns 49 per cent. Chevron would not comment about the purchase price, and said it was not likely the company will sell its entire interest in the Angolan operation.

Chevron's ownership in the Angolan oil partnership has been the centre of considerable controversy. Conservative Congressmen within the Conservative Caucus have criticised Chevron for its presence in Angola, which has been a long-

standing embarrassment for the US Administration, which funds the anti-government Unita guerrillas.

In April, Senator Jesse Helms sent letters to Chevron shareholders asking them to join a protest against Chevron until it withdraws its interests in Angola, claiming it aids the Soviet/Cuban occupation in that country.

But analysts in Washington doubt whether this has been a significant factor in the decision to sell. Despite repeated Congressional attempts to penalise the company for its involvement, no effective legislation has been passed.

Japanese outlook improves

CORPORATE PROFITS of Japanese companies will fall an average 0.5 per cent in the year ending March 1988, according to a survey by the Nomura Research Institute. Reuter reports from Tokyo.

That compares with an estimate in June of a 4.2 per cent drop, and an 8.8 per cent decline in the whole of 1986/87.

The survey covered 363 companies with an April to March

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But profits of non-manufacturing industry will fall 22 per cent

in 1987/88, mainly because electric power companies face large

BANRO INDUSTRIES plc

Interim Results - Unaudited

Results for the half year to	30.6.87	30.6.86	Year to
Turnover	\$2,000m	\$1,000m	\$12.95
Profit before tax	1,078	851	2,528
Earnings per share*	5.7p	5.6p	16.00
Dividends per share (net)**	1.5p	1.7p	6.3p

*Corporate Report referred to reflect the effect of the Right Issue in September 1987 and the one-for-one capitalisation issue on 1st May 1987.

†The Group has made good progress during the first six months of the current year and demand for the Group's products has been strong. Palted Strip and the Edward Rose companies all recorded very satisfactory progress.

During the same period substantial investment has been made at the Edward Rose companies in tooling for a number of major new contracts for the supply of micro-wave oven cabinets to Panasonic and Brother Industries. This follows the highly successful contracts for Toshiba which commenced in 1986. Our French subsidiary, Farmer et Fils, performed exceptionally well and continued its significant growth in profitability.

Lintex, our motor cycle spares and accessories distributor, continued to make strong progress and to justify our confidence at the time of its acquisition in September 1986. The Board believes that there is a considerable scope for further growth in this exciting area of operation and is actively considering suitable acquisition possibilities.

The Directors are satisfied with the continued progress of the Group during the first six months of 1987 and view the prospects for the full year and the longer term future with confidence.

Edward Rose,
Chairman and Chief
Executive

The principal activities of the group are the manufacture of a wide range of metal and plastic products for the transport, domestic appliance and building industries.
Brownhills, Walsall, West Midlands WS8 7HF.

Chrysler Corporation

has acquired

American Motors Corporation

The undersigned acted as financial advisor to Chrysler Corporation and assisted in the negotiations.

Salomon Brothers Inc

One New York Plaza, New York, New York 10004
Atlanta, Boston, Chicago, Dallas, Los Angeles, San Francisco, Zurich.
Affiliates: Frankfurt, London, Tokyo.
Member of Major Securities and Commodities Exchanges.

**PEARSON INC.**

through a wholly owned subsidiary has acquired
the outstanding minority interest in

CAMCO, INCORPORATED

The undersigned acted as financial advisor to Pearson Inc.

SIMMONS & COMPANY
INTERNATIONAL
Houston

Pearson Inc.

through its wholly-owned subsidiary

CI Acquisition Inc.

has acquired
the outstanding minority interest in

Camco, Incorporated

The undersigned acted as financial advisor to Pearson Inc. in this transaction and as Dealer Manager of its tender offer.

LAZARD FRÈRES & Co.

September 15, 1987

INTERNATIONAL COMPANIES and FINANCE

Akzo puts consumer division up for sale

BY LAURA RAUN IN AMSTERDAM

Akzo, the Dutch chemicals and fibres group, is believed to be negotiating the sale of its consumer products division to **Sara Lee** Corporation of Chicago, a leading US consumer goods concern, for about \$1.12bn (US\$88m).

Akzo said yesterday that no agreement had been reached on a possible sale and that it would take several more months before a final decision was made.

The company, which topped the list of most actively traded stocks on the Amsterdam bourse yesterday, promised to give more details soon.

Sara Lee said it was always in the acquisitions market but referred to comment on the possible purchase of the Dutch activities.

Akzo's consumer products division includes foods such as soups, nuts and sausages sold throughout western Europe under the Temana and Heidelberg brand names, among others.

Telefonica rights issue may raise Pta 75bn

BY GEORGE GRAHAM IN PARIS

By Our Financial Staff

TELEFONICA, the Spanish telecommunications group facing a heavy capital investment programme, plans shortly to announce a large rights issue, possibly to raise Pta 75bn (US\$15m).

The company said in London yesterday that it would decide on the issue at a board meeting scheduled for September 26. The issue would raise between Pta 55m and Pta 75m and would probably take place in November.

Telefonica, which dominates the bourse in Spain and is widely listed on foreign stock markets, faces a bill for capital spending of about Pta 1,800m over the next five years as it pushes ahead with a massive modernisation programme in Spain.

It recently raised \$375m via a share offering on Wall Street. The current rights issue plans are part of a wider financing programme involving bonds and commercial paper issues.

The company, which is 21 per cent owned by the Spanish Government, said the issue was likely to be priced above par. Traditionally, equity offers by Spanish companies are priced below par, a tactic that **Telefonica** adopted with earlier issues.

Referring to plans for a joint venture in the Soviet Union, **Telefonica** said it was close to signing a deal which could involve the formation of a telephone equipment plant in central Russia.

If it goes ahead, the venture would be 51 per cent owned by the Soviet state, which would put the equivalent of Pta 1bn into the operation.

Telefonica would not say yesterday whether the Russian plant—if it went ahead—would add much overall cash-flow. However, it was confident of continued profit growth at the group level.

The company made net profits of Pta 45.2bn in 1986 on sales of Pta 468bn.

CIC to float offshoots on French regional bourses

BY GEORGE GRAHAM IN PARIS

FRANCE'S sixth largest banking group, Credit Industriel et Commercial (CIC), is to reorganise its capital structure in the next few weeks, enabling it to privatise some of its profitable subsidiaries.

CIC, a confederation of regional banks which has been wrestling with problems of structure and identity for the last five years, is expected to float Lyonnaise de Banque and Compagnie Financiere et Lorraine on the Lyon and Nancy bourses, their respective local stock markets.

The reorganisation will involve simplification of the group's multi-tier capital and the elimination of its several classes of preferred dividend shares, which hamstrung its programme in Spain.

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ferential dividend rights, and non-voting preferred certificates of investment.

In addition, the Compagnie Financiere owns preferred dividend shares in several of its regional subsidiaries. The reorganisation has to clear up the transfer of profits back to the group from these subsidiaries.

Lyonnaise de Banque has itself been one of the most active supporters of the Lyon Stock Exchange, specialising in bringing companies to the second market.

Other less profitable subsidiaries, such as Societe Bordelaise de CIC, would be unlikely to be early candidates for privatisation.

The Government has already carried out one regional privatisation with the heavily over-subscribed flotation of Sogenal, the Alsatian subsidiary of the Societe Generale bank, on the Nancy Stock Exchange.

The CIC group as a whole made net consolidated profits, excluding minorities, of FF 89m last year, up 40 per cent from the previous year.

COMMUNAUTE URBaine DE MONTREAL

Communauté urbaine de Montréal
(Montreal Urban Community)
(Canada)

US\$150,000,000

Floating Rate Notes due 1991

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six months from September 18th, 1987 to March 18th, 1988 the Notes will bear interest at the rate of 8½% per annum. The interest payable on the relevant Interest Payment Date, March 18th, 1988 against Coupon No. 8 will be US\$410,76 per US\$10,000 Nominal.

Agent Bank

ORION ROYAL BANK LIMITED

A member of The Royal Bank of Canada Group

the
Leeds
PERMANENT
BUILDING SOCIETY

£200,000,000

Floating Rate Notes 1996

Interest Rate 10.1975% per annum
Interest Period 16th September 1987 to 16th December 1987Interest Amount per £10,000 Note due 16th December 1987 £ 253.99
Interest Amount per £100,000 Note due 16th December 1987 £2539.90Baring Brothers & Co., Limited
Agent Bank

Weekly net asset value

Tokyo Pacific Holdings (Seaboard) N.V.
on 14.9.87 US \$142.12

Listed on the Amsterdam Stock Exchange

Information: Pieron, Holden & Pieron N.V.,
Hengelostraat 214, 1016 BS Amsterdam.**Pirelli SpA profits climb 24%**

BY ALAN FRIEDMAN IN MILAN

PIRELLI SpA, the Italian holding company that controls 43 per cent of the Pirelli tyre and cable group, yesterday unveiled a 24 per cent increase in net profit, to L62.7bn (\$48m) for the year ended June.

Pirelli plans unchanged dividends of L100 per ordinary share and L120 per savings share. The company is also planning a one-for-10 scrip issue.

The company limited comment on progress so far this year to a statement that both sales and profits were "improved."

It said negotiations were progressing with Armetech Corporation of the US, for the acquisition of 80 per cent of shares for Armstrong Tire of New Haven, Connecticut.

Pirelli hopes to conclude the talks over Armstrong—which had sales of \$475m in 1986—by the end of the year.

Aside from Pirelli SpA, the group's structure consists of Societe Internationale Pirelli,

based in Beale, which has another 43 per cent of the group's operating and cable companies in 16 countries.

Pirelli Societe Generale, also based in Beale, holds the remaining 14 per cent of the Pirelli group. The group has 68,000 employees.

For the whole of last year Pirelli announced an "aggregate" net profit of \$141m, an increase of 39 per cent on 1985.

Sales last year totalled \$3.7bn, up from \$3.7bn the year before.

MAN income up on higher turnover

BY HAIG SIMONIAN IN FRANKFURT

MAN, West Germany's biggest mechanical engineering group, has raised group net profits by 24 per cent, to about DM 130m (\$72m). The group plans to pay a maintained DM 3.50 dividend.

According to preliminary figures, which are more optimistic than suggested when MAN reported its first-half results,

group turnover for the year ended June rose to DM 14.8bn, against DM 14.1bn.

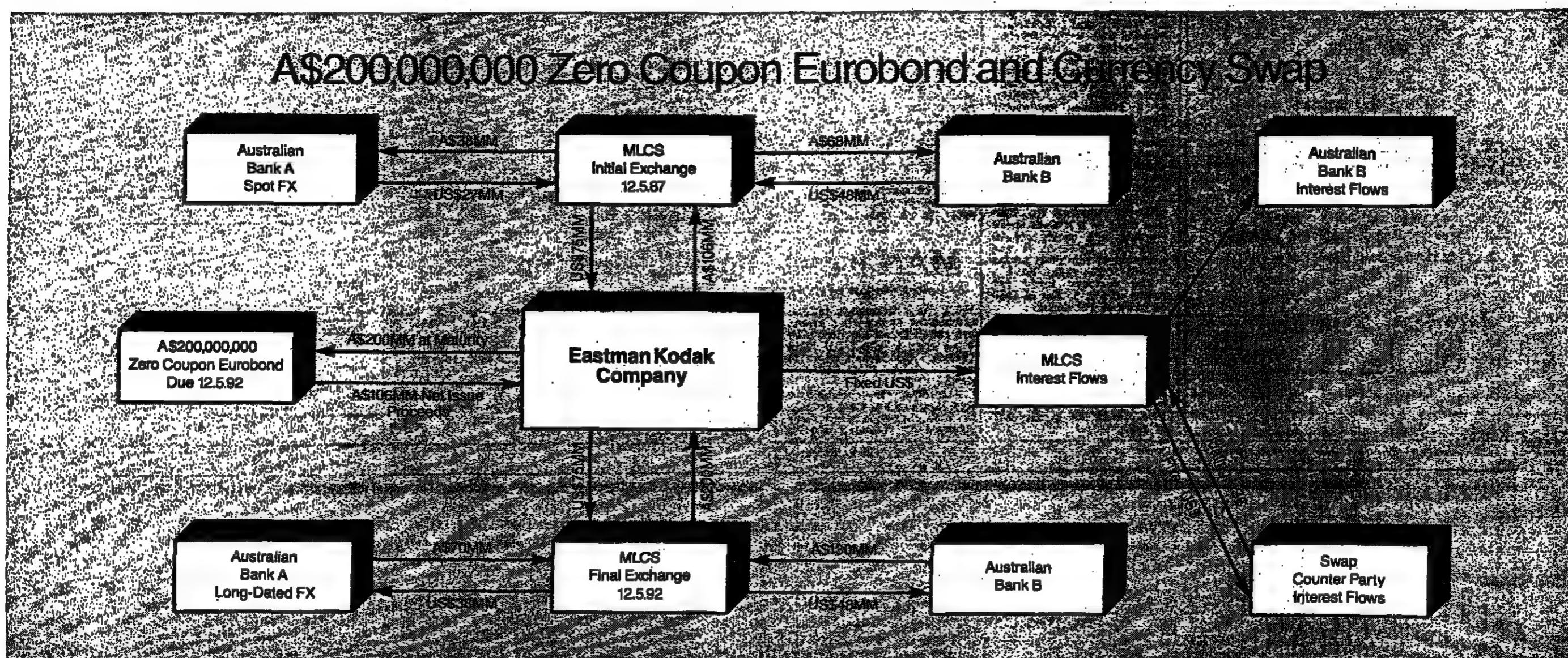
In contrast to many other big German heavy industrial groups, MAN's foreign turnover rose substantially while domestic sales declined.

However, MAN said its turnover this year was lifted by allowances for some older plant orders and by the continuing healthy demand for heavy vehicles.

Aga AB*has acquired***Maatschappij Rommenhöller N.V.***Morgan Guaranty, subsidiary of**J.P. Morgan & Co., acted as financial advisor**to Aga AB in this transaction***JPMorgan****Aga AB***has sold***Weweler B.V.***to an investor group including its management**Morgan Guaranty, subsidiary of**J.P. Morgan & Co., acted as financial advisor**to Aga AB in this transaction***JPMorgan**

Harness the power

of a team of investment bankers who use the complex and constantly evolving swap markets to solve the diverse needs of its clients. For example, Merrill Lynch mobilized its worldwide resources to arrange a creative transaction for Eastman Kodak Company by underwriting and swapping an Australian dollar zero coupon eurobond to produce attractive dollar funding.



Merrill Lynch has the resources, the expertise and the execution capabilities to construct innovative solutions for the most specialized needs. With a team of dedicated professionals around the world, we can help our clients take advantage of the many opportunities

in interest rate and currency swaps.



Merrill Lynch

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Issuers concentrate on 'retail' currencies

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE US DOLLAR bond market hovered precariously about its recent low yesterday, as sentiment continued to be depressed.

In subdued trading, the benchmark 30-year Treasury bond bounded on what is proving to be an important technical support point. That point, dealers say, is at a price of 914, representing a yield of about 9.75 per cent and a 50 per cent retraction of the big bond market rally between 1984 and 1986.

The market slippage pushed the \$1bn, three year deal for Italy, launched on Monday, to an even deeper discount than its 1½ per cent fees. Dealers said it dropped at one stage to less 1.73 per cent bid, before gaining a little at the close to 1.65 per cent.

There was no substantial increase, however, of the 80 point margin over the three year US Treasury bond, at which the issue was launched, implying that lead managers Credit Suisse First Boston had managed to keep good control of the issue.

However, despite being billed as an issue which would be easily tradeable, some dealers remarked that there was little evidence of that yesterday.

The yen market continued weak after New York's retreat on Tuesday, while the D-mark also retreated. Foreign bonds fell by an average of 1 point while domestic bonds fell by up to 90 basis points, reflecting sentiment in New York.

INTERNATIONAL BONDS

of 101.5. Although the general background tone to European bond markets was not strong, the lead managers reported some interest from Japanese investors.

Swaps into floating rate dollars provided opportunities for two New Zealand dollar deals. The first issue, of NZ\$250m for George Brumel Lambert, carried a three-year maturity, a 17½ per cent coupon and a price of 101½ and was led by Banque Paribas Capital Markets. The issue was quoted outside fees for a time.

An inverse yield curve in New Zealand interest rates allowed a two-year, NZ\$20m deal for Denmark to carry higher coupon, of 17½ per cent. Led by Mitsui Finance International, it was priced at 101½. The lead manager was building the issue at a price equivalent to the 1½ per cent fee discount.

August bond issues show sharp decline

BY OUR EUROMARKETS STAFF

THE POOR condition of international bond markets during August was underlined yesterday by figures from the Organisation for Economic Co-operation and Development showing that bond issues totalled only \$14.4bn last month, 20 per cent below the total in the same month of 1986 and down from \$20.3bn in July.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 18

The issuance of straight bonds at \$7.1bn was the lowest since September 1985, the Paris-based organisation said, and the \$1bn of floating rate notes consisted almost entirely of bonds representing outstanding issues. Equity-linked issues, however, continued to flow and are running at an annual rate of 21 basis points and a price of 100.1.

Yamachi International withdrew a proposed \$35m equity warrant issue for Nihon Vinyl Industry. The share price had been too volatile, fluctuating an extraordinary 30 per cent this month alone.

Alexander Nicoll and Stephen Fidler on the securitisation of Third World debt Finance ministers in search of a discount

BRAZIL'S PROPOSAL to convert half its \$68bn debt to banks into securities, ruled out of court last week by Mr James Baker, the US Treasury Secretary, is the biggest example yet of a troubled debtor seeking to benefit from the steeply discounted prices in the secondary market for Third World loans.

Borrowers dealing with creditor banks and governments are expected to service them fully, paying interest on the full value of the debt. But they see banks themselves effectively treating them as worth less than full value by trading in them at well below the face amount of Brazil's trades at 55 per cent face value.

Finance ministers who deal with creditors along conventional lines, negotiating rescheduling packages typically involving agreements with the International Monetary Fund and reschedulings and loans at interest margins above money market rates, are finding this approach increasingly unacceptable at home.

The handling of the debt problem played an important role in the recent electoral setback of President Raúl Alfonsín in Argentina, as well as in yesterday's departure of Mr Jaime Ortega as the Philippines' Finance Minister. Domestic opposition has so far prevented any rapprochement between Brazil and the IMF.

Hence the desire to "capture" the discount through a range of proposals which have come from several debtor countries.

Some proposals, like Brazil's, involve securitisation. What all the ideas have in common is that they would reduce the debt service burden on borrowers through differing degrees of

debt forgiveness which, whether deliberately or not, would force participating banks to realise losses.

Banks will continue to object to forced securitisation. They argue that securitisation by itself solves nothing, especially if it does not involve the introduction of a World Bank or other guarantee. It should be designed to create a genuine market in which investors other than existing creditor banks can participate, they say.

The concept is likely to be dismissed easily, as the annual meetings of the IMF and World Bank later this month, with Mr Kiichi Miyazawa, Japan's endorsing conversion schemes as a means of easing debt burdens on the grounds that the debt problem had deteriorated.

Two main methods of converting debt have so far been tried.

The first is debt-to-equity swaps, in which banks sell their loans at the discounted price but received in return close to

the full value in local currency for equity investment in the debtor country. Some \$6bn face value of debt has so far been converted, of which more than a third was in Chile.

Borrower countries are concerned about the economic effects of such swaps, which could inflate domestic money supply. Swaps may also appear as a cut-price investment route.

The second method is bonds issued as part of the "menu of options" approach, designed to include alternative financing means.

Argentina's recent deal included two types of bonds: "new money" bonds in which banks could profit. One each of new \$1.35bn loan repayment in the form of bonds carrying the same terms as the loan; and "exit bonds" 25-year, 4 per cent bonds which would excuse accepting banks from involvement in future packages.

Though the first was taken up quite enthusiastically, exit bonds were not. Very few banks were persuaded to take them.

The growing desire of debtors to benefit from them challenge the banks' premise that the conventional handling of the debt crisis was designed to restore borrowers' access to the capital markets.

Colombia, which has not rescheduled its debt, is currently seeking a \$1.08bn loan from banks, though its debt changes hands among banks at some 80 per cent of face value. Though this discount is considerably less than most other Latin American debtors', it is paying a higher spread at 8 percentage points than the 4% of Mexico and Argentina.

Like other governments, that of Colombia is under pressure at home to take a tough line with the banks. Finance Minister Mr Luis Fernando Alarcón said yesterday that Colombia still intended to preserve good relations with banks, but would keep a close watch on margins being gained by other borrowers.

market—thus reducing both the outstanding principal and the interest burden. Bolivia also has a buy-back scheme in progress though it is viewed as a special case.

This potential use of foreign exchange reserves is politically sensitive in Mexico. It also poses thorny problems for banks, since buy-backs from individual banks would break the sharing clauses of loans which stipulate that money available to creditors should be shared out among them all.

Leading bank creditors feel the country should instead reward banks which have continued to lend to the country, by not fully drawing down the \$7bn loan.

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Austrians braced for financial revolution

By Judy Dempsey in Vienna

SATURDAYS ARE sacred in Austria. The shops close by noon, the pace slows down even further and Austrians retreat to the mountains or to their weekend homes. But this Saturday, a little revolution will take place. For the first time in its history, the doors of the Vienna bourse, the stock exchange, will swing wide open to the public.

The step is most unusual indeed. It is out of character with the Austrian bureaucracy and with the thousands of officials who are closeted inside dark, imposing buildings, more content with paperwork than meeting the public. The bourse is up to something. "We are looking for business," says Mr Ulrich Kamp, the bourse's general secretary.

The exchange is looking for business and buyers because, as part of the government's privatisation plans, several large state-run Austrian companies are to be sold to the public. The management is ready for the extra business. As part of a long-term modernisation and automation programme, the exchange's management is about to install two new systems—the order routing system and Pats, (partly assisted trading system).

"We are not installing this because of the privatisation programme; this has been in the pipeline for some time," says Mr Kamp.

In spite of the computerisation, there are a few anxious faces around the bourse, hoping the buyers will mate. Officials reckon that foreign investors, who woke up to the existence of the Vienna stock market only in 1985, will continue to make a considerable impact, now that the Austrian Government has changed its legislation so as to allow foreigners to buy and sell shares.

That fresh interest in Vienna partly explains why trading topped Sch 300m (\$33.5m) one day last July—a lot of volume for a small exchange, whose average daily turnover is only around Sch 50m.

So what volume can the bourse expect in the coming months, when such names as OelMV, the profitable Austrian oil company, will be partly sold off along with the profit-making Austrian Airlines?

Mr Kamp and his colleagues think that foreign interest can be sustained, if not increased. The problem, as he sees it, is attracting the Austrian man in the street. "They are afraid to take risks, afraid to invest their money in shares, and unaware that they can gain from it."

That is one of the main reasons for opening the doors on Saturday. "We want to show ordinary Austrians that we exist, and what we work at, and what we are all about," says Mr Kamp.

But surely one open-door day will not be enough to change the Austrian mind?

"No," says another official. "That means we might even think of advertising."

The little revolution might gather momentum after all.

Colombia to allow debt swaps

COLOMBIA IS planning a programme which would allow creditors to convert their loans to certain nationalised banks into equity.

Mr Luis Fernando Alarcón, the country's Finance Minister, said yesterday.

allow foreign creditors to use debt-to-equity swaps in the banking sector should be passed this year.

The four banks primarily concerned include Banco de Colombia, once the country's largest commercial bank, which was taken over in the 1985 Colombian banking crisis.

The government's aim is to privatise the banks and inject new capital.

The \$1.06bn in new loans

include a \$280m borrowing

for the state coal company Carbocol and the \$300m bank

described as 2 per cent Reverse Standard & Poor's 500 Index Notes and were instantly dubbed "reverse spines" for short. They will pay a guaranteed interest rate of two per cent annually and be redeemed on September 1990.

In addition to the guaranteed interest, note holders will receive on maturity contingent interest payment equal to more than three times any fall in the S&P 500 over the next three years. The precise calculation for the contingent interest payment is 376 per cent of the de-

cline in the S&P 500 beyond the first two per cent of any such decline. Thus if in September 1990 the S&P 500 is 12 per cent lower than it was this week, the reverse spine holder will receive additional interest of 3.76 times 10 per cent, or \$376 for every \$1,000 invested.

For Chase, which issued \$60m worth of the new securities on Tuesday through Salomon Brothers and Donaldson Lufkin & Jenrette, the reverse spines are the latest step in an extensive programme of capital market innovation based around

equity-index instruments.

The reverse spines will be breaking new ground because they are believed to be the first bear-market linked instruments with a maturity as long as three years. Hedging in the futures and options markets becomes more complex and expensive as the period of the hedge is lengthened. Nevertheless, the bank believes that it has found a new money hedging formula for its new reverse spine obligations and that these will represent a cheap and attractive source of funds.

Three-year bear instrument from Chase

BY ANATOLE KALETSKY IN NEW YORK

CHASE MANHATTAN, the US banking group, has realised the bearish speculator's perennial dream—to bet on a declining stock market with no risk of any principal loss.

With the help of two leading Wall Street securities houses, Chase has introduced a financial instrument which has an income tied to any fall in Wall Street's main market index, but a principal value that is guaranteed to be repaid in full with modest interest, after three years.

The new instruments are de-

scribed as 2 per cent Reverse Standard & Poor's 500 Index Notes and were instantly dubbed "reverse spines" for short. They will pay a guaranteed interest rate of two per cent annually and be redeemed on September 1990.

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"The outlook for the remainder of the year is encouraging with strong growth in all activities in Hong Kong and Australia. Included in the second half for the first time will be a contribution from the investment in Kwik Save and, in the same period, we also plan to open our first store in Taiwan."

SIMON KESWICK, Chairman

Hong Kong, 16th September 1987

Highlights of Interim Results 1987

Half-Year Results (unaudited) six months to January/June

Year ended 30th June

1987 HK\$m

1986 HK\$m

1986 HK\$m

Sales 6,011 4,752 10,176

Profit before taxation 237 169 418

Taxation — Hong Kong (31) (20) (50)

— Elsewhere (34) (31) (74)

Profit after taxation 172 118 294

Minority interests — (2) (5)

Profit attributable to shareholders 172 116 289

Dividends (85) — (30)

Earnings per ordinary share 14.30 9.60 23.90

Dividends per ordinary share 5.00 — 2.50

Dairy Farm International Holdings Ltd

(Incorporated in Bermuda with limited liability)

33rd Floor, Windsor House, Causeway Bay, Hong Kong

Dairy Farm

A member of the Jardine Matheson Group

STRAIGHT	Interest	Change on day	Yield
American Bond 75/92	101.50	+0.00	10.25%
American Govt 95/97	101.50	+0.00	10.25%
American Gvt			

UK COMPANY NEWS

Coats Viyella surges to £81m with margins up

IMPROVED margins are reflected in the 25 per cent increase from £65m to £81m in pre-tax profits of Coats Viyella, the textiles group, for the half year to end June. Turnover for the period fell slightly from £827.3m to £815.1m.

The directors said that for the year as a whole planned capital expenditure would be around £100m as the group continued to invest in new plant and technology in its businesses around the world.

Already benefits from this were in evidence in the form of improved margins while better performances in certain hitherto difficult areas would further enhance profits. Further benefits had still to be seen from the merging of Vantons and Costa Patons groups.

They said that the present and anticipated generation of

a healthy positive cash flow would permit flexibility with regard to acquisitions in certain key areas both in the UK and abroad. Nil gearing was anticipated by the year end.

According to the second half will be the disposal of the group's 54 per cent interest in Bonds Costa Patons, Australia. After the buy-back of 100 per cent of the thread and handknitting divisions of that company, £35m net cash had been released which would give rise to an extraordinary gain in excess of £20m. The deal would also enable generation of higher attributable earnings for the group from its Australian activities. Hand knitting profits of the group generally were down last year but the group maintained its share of the market.

The offer for Vaughan Carpets had been declared un-

conditional but no contribution was anticipated for 1987. The group's interest in Consolidated Canada had increased from 49.7 per cent to just over 50 per cent and consequently results for the second half would be consolidated rather than treated as a related company.

Operating profit in the first six months was £78.4m (£68.5m); net interest payable and investment income amounted to £1.9m (£5.7m) while the share of profit of related companies came to £4.5m (£3.2m). Tax took £22.7m (£19.6m) and minorities £3.8m (£3.7m) leaving stated earnings per 20 ordinary of 10.4p (8p). There were no extraordinary items this time (£14.8m).

The interim dividend is increased from an adjusted 2.35p to 2.7p. See Lex

UB wins US soft-cookie war and advances profits to £59m

BY CLAY HARRIS

UNITED BISCUITS, the food and restaurant group, will today seal its victory in the US soft-cookie war with the purchase, at a knock-down price, of a factory owned by its leading rival in the sector, Procter & Gamble.

Keebler, UB's biscuit and snacks subsidiary in the US, is to pay off \$18m (£11m) for the plant at Jackson, Tennessee. The deal includes machinery which has not been uncrated or even delivered from suppliers. The assets are estimated to have a total value of \$150m.

Procter had announced in June that its Duncan Hines subsidiary would retreat from the sector, in which Keebler's Soft Batch brand is now the market leader with one-third of US sales.

"The cookie war is over," Sir Hector Laing, chairman, declared yesterday as UB reported pre-tax profits of £28m in the 28 weeks to July 18, a 24 per cent increase over the £47.5m achieved in the comparable period of 1986.

Turnover rose by 4 per cent to £967.7m. Improvements in market share and profits were clouded only by a dive into loss by Pizzaland, the UK restaurant chain, and a decline at Speciality Brands, the US spices, salad dressing and olives company.

By division, UB Foods Europe increased operating profits by 35 per cent to £43.8m on sales 4 per cent higher at £499.8m; restaurants profits fell

17 per cent to £2m on turnover the same percentage higher at £86.2m; UB Foods US increased profits by 6 per cent to £22.5m on sales 2 per cent ahead at £403.3m; and other companies increased both profit and turnover by 7 per cent to £1.5m and £58.3m respectively.

In Britain, UB claimed 48.5 per cent of biscuit sales, nearly 1 percentage point higher than last year, and lifted profit by nearly a quarter. Its share of the branded market rose to 49.7 per cent.

• comment A 12-year bull market is not the best context in which to consider the merits of such an archetypal defensive stock, but UB's relative trend of sideways profit to a £700,000 loss more than offset a 76 per cent improvement to £3m at Wimpy. Although Pizzaland sales rose by 16 per cent, the chain had undergone a management shake-up and investment programme under Mr Ian Petrie, who led the revival at Wimpy. The full-year result, nevertheless, is unlikely to exceed the 25.2m profit achieved in 1986.

Keebler's success was not limited to soft cookies, as it increased its share of the total US biscuit and snacks market. Operating profit rose by 12 per cent to £17.9m.

This was undermined, however, by the increased competition faced by Speciality Brands and by the weakness of the dollar, which reduced the total US contribution by £1.5m. Although UB was seeking realistic expectations,

acquisitions, especially in the US, Sir Hector said that the group was unlikely to pay the current asking price, which implied p/e ratios of 20 to 25.

Interest costs fell to £8m (£15.3m). The tax charge of £20.2m (£15.7m) was at a slightly higher rate than in 1986. With earnings per share ahead by 22 per cent to 9.5p (7.8p), the interim dividend is to rise by 14 per cent to 4p (3.5p).

• comment KP Foods, the snacks and biscuits subsidiary, also made strong advances in market share and profits.

Pizzaland's fall from a £1.2m profit to a £700,000 loss more than offset a 76 per cent improvement to £3m at Wimpy. Although Pizzaland sales rose by 16 per cent, the chain had undergone a management shake-up and investment programme under Mr Ian Petrie, who led the revival at Wimpy. The full-year result, nevertheless, is unlikely to exceed the 25.2m profit achieved in 1986.

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Woolworth at lower end of forecasts

WOOLWORTH HOLDINGS yesterday announced interim pre-tax profits, excluding property disposals, of £1.9m (£5.7m). The figure, 34 per cent up on last year's £2.6m, was at the lower end of analysts' expectations.

Operating profit in the first six months was £78.4m (£68.5m); net interest payable and investment income amounted to £1.9m (£5.7m) while the share of profit of related companies came to £4.5m (£3.2m). Tax took £22.7m (£19.6m) and minorities £3.8m (£3.7m) leaving stated earnings per 20 ordinary of 10.4p (8p). There were no extraordinary items this time (£14.8m).

The interim dividend is increased from an adjusted 2.35p to 2.7p. See Lex

David Lascelles on Crownx's move in the Mercantile House saga Creating a thorny takeover issue

YESTERDAY'S dramatic intervention by Crownx in the takeover of Mercantile House by B&C threatens to transform it into one of the most complicated deals seen in the City of London for some time — always assuming it can go ahead. The offer is highly controversial and raises key points under the Takeover Code which will have to be decided today.

The basic aim of Crownx is relatively simple: it wants to buy Marshalls and William Street, the two broking units of Mercantile House which B&C does not want. But to achieve that aim Crownx will have to persuade the Takeover Panel that its tactics are acceptable. Then it must succeed in winning support from Mercantile shareholders at a meeting next Monday.

Shortly after B&C announced its £545m bid for Mercantile House in July, Mr John Gunn, its chief executive, agreed to sell the broking units to Quadrax, the financial services firm owned by Mr Gary Klesch. But that deal was conditional on Mercantile's shareholders approving the sale of the units before the takeover was consummated. Without the property contribution the 1986 earnings would have been £4p.

Retail profits rose 77 per cent from £11.5m to £20.7m on turnover up from £814.6m to £829.6m. Property income was £18.7m (£24.4m) and interest charges were £16.5m (£15.1m).

Mr Mulcahy said that B and Q, where sales advanced from £220.8m to £267.1m had added in sq ft of extra space but there had been substantial growth of sales in existing outlets, market share has risen by a percentage point.

F. W. Woolworth cut losses from £8.6m to £5.2m on sales of £372.8m (£426m). It lost £25m in sales from the withdrawal from food and clothing but maintained sales per sq ft partly through gains in several key focus areas. Toy sales rose 68 per cent, entertainment sales items by 26 per cent and children's clothes sales by 22 per cent.

Comet, electrical retailer, increased market share from 6 to 7 per cent. It achieved profits of £4.3m (£3.2m) on sales of £147.3m (£136m).

Superdrug, bought earlier this year, contributed three-months profits of £3.6m as sales of £57m.

The rate of store growth has been accelerated with 60 planned for this year and 45 in the second half.

The property division opened 690,000 sq ft of retail space and this pace of expansion is expected to continue.

Mr Mulcahy said the aim was to make the property portfolio more active and increasing profits could be expected from it. Woolworth lifted the dividend from 2.5p to 3p. The tax charge was 7.5m (£8m).

• comment The market seemed unsure how to react to these figures yesterday, first marking the shares down 9p, then lifting them to 35p, a 14p rise on the day. Part of the problem was judging the old F. W. Woolworth because of the ending of food and clothing sales and the increasing importance of second half sales.

The "focus" strategy is clearly going well in some products but the management gave no figures for the home/gardens and looks (toiletries and cosmetics) lines, both of which are to be relaunched.

Meanwhile growth at B & Q continues at a hectic pace and Superdrug looks good value. At Comet the move upstream is paying off as improved margins but the company now has to boost volumes.

For this year, the City is expecting pre-tax profits of £145, implying a p/e of about 16. Following the recent underperformance of the shares, the downside seems limited but speculation about whether Woolworth has eyes for Storehouse will be completed by November.



John Gunn (left), chief executive of B & C, and Gary Klesch, chairman of Quadrax.

B&C will take Mercantile over, complete with the £220m sale proceeds. If the shareholders do not, then B&C will proceed, as planned, to take over Mercantile House and sell the units direct to Quadrax.

The vote on the sale of the units is due to take place on Monday, so Crownx has only a minimum number of working days to get its message across, though Mercantile could always adjourn the meeting.

If the shareholders approve Crownx's offer, then Mercantile will sell the units directly to Crownx, and the B&C agreement with Quadrax will lapse.

Crownx, which is a Canadian health-care and financial services company with ambitions to get into the global markets, bought 14.9 per cent of Mercantile House last January, but stood on the sidelines in the early part of the bid. When the B&C-Quadrax deal was announced, Mr Warren and Mr Griffi urged Crownx to consider making some kind of counter-offer. This is the offer which has now emerged. But in order to get into the game at this late stage, Crownx is having to use some highly unusual tactics.

Advised by its merchant bankers, Kleinwort Benson, it is offering the same amount for

the two units as Mr Klesch —

£220m in cash. But in order to encourage the shareholders to approve their bid rather than Mr Klesch's, they are also offering to pay shareholders 10p for every share they own.

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If the shareholders approve Crownx's offer, then Mercantile will sell the units directly to Crownx, and the B&C agreement with Quadrax will lapse.

The company now wants to expand into the global financial services business, according

to director Mr Bob Beyell.

But rather than compete head-on with the financial giants, it is aiming for specialist niches. I have identified moneybroking as a profitable and growing business.

Last year, Crownx earned £44.5m (£22.8m) before extraordinary items, and at year end its shareholders' equity was £86.7m. If the Mercantile deal goes through, it will mark the company's first acquisition outside North America, and a sign of its growing ambitions.

Warringtons in property deals and £3.8m cash call

BY DAVID WALLER

Warringtons — the building contractor formerly known as Thomas Warrington — yesterday continued its process of transformation with the announcement of three acquisitions, a one-for-one rights issue and the disposal of certain property assets.

At the same time, the company announced a pre-tax loss of £655,000 for the six months to the end of June — but predicted that it would break into profit in the second half before taking into account redundancy costs.

Warringtons is to pay a total of £2.65m in cash and shares for two separate property portfolios, one in Hemel Hempstead and Luton, the other in Lancashire and a freehold office block in Gibraltar, owned by the Lister group of four private companies based in Kent.

The rights issue will raise £3.8m before expenses, and the company's equity will in total be more than double. The property disposals will raise £1.5m which will be used to reduce the company's borrowings.

These deals will increase the company's exposure to the construction market to design and build projects in which it has a financial interest.

Turnover for the half year was £8.8m. Operating losses of £688,000 were exacerbated by summing down of general contracting while being obliged to carry full overheads during the process.

Warringtons' shares fell 8p to close at 160p.

McLaughlin & Harvey rises

McLaughlin & Harvey, Northern Ireland-based US-quoted builder and civil engineer, reported pre-tax profits up from £218,000 to £267,000 in first half of 1987. However, the company made a provision of £234,000 on a full-year trading loss in the Irish Republic in 1986.

An extraordinary charge of £245,000 (£22.8m) before extraordinary items, and at year end its shareholders' equity was £86.7m. If the Mercantile deal goes through, it will mark the company's first acquisition outside North America, and a sign of its growing ambitions.

The board intended to recommend an appropriate final dividend in the light of the group's full year results. In the meantime no interim dividend is being paid compared with 0.46p net last year. Stated earnings per 15p share fell from 0.88p to 0.31p.

Since the annual meeting, Mr James McDonald has been appointed a director in addition to Mr Douglas Payne (group financial director) and Mr Mike Hennessy. It is intended to further strengthen the board by the appointment of a non-executive director.

Western Heritable Investments Company

with

Central and City

£50,000,000

Medium Term Revolving Development Facility

arranged and syndicated by

Woolgate Property Finance Limited

Funds provided by
Bank of Ireland

Bank of Scotland

Credit Lyonnais

Bankers Trust
Creditanstalt-Bankverein

Agent
BANK OF IRELAND

SUMMARY OF GROUP RESULTS

	6 months to 30 June 87	Year to 31 Dec 86
	£'000	£'000
Turnover	235,607	248,106
Trading profit	2,271	1,802
Mechanical and electrical	2,422	1,909
Oil, gas and chemical	517	165
Design and construction	258	532
Mining and minerals	5,468	4,408
Interest receivable (net)	658	1,345
Profit before tax	6,126	5,753
Per share: Earnings	5.28p	4.

UK COMPANY NEWS

L & G increases interim profits by 25% to £36m

By NICK BUNKER

Legal & General, one of the UK's biggest life assurance groups, raised its pre-tax profits by 25 per cent to £27.6m in the six months to June 30, helped by underlying improvements in its non-life business.

On UK non-life business, L&G said UK premium income was up 17 per cent to £115.2m, with the interim underwriting loss slightly down at £8.4m. This was achieved in spite of a doubling of winter weather damage claims to £17m. In the second quarter, several years of rate increases helped L&G to a UK underwriting profit.

For the group, profits attributable to shareholders were up 17 per cent at £3.59. The shares closed unchanged at 327p. Analysts' forecasts ranged from £30m to £42m.

On the life side, L & G showed a 16 per cent jump in the gross surplus attributable to shareholders, which reached £27.4m. Banner Life, its US operation reported a fall in pre-

tax profits from £3.8m to £3m, but L & G said it was now experiencing "an accelerated level" of sales.

Worldwide, the profit from non-life business was 55.4m against a £2.7m loss in 1986.

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damage claims to £17m. In the second quarter, several years of rate increases helped L&G to a UK underwriting profit.

For the group, profits attributable to shareholders were up 17 per cent at £3.59. The shares closed unchanged at 327p. Analysts' forecasts ranged from £30m to £42m.

Sun Life Assurance dividend disappoints

By ERIC SHORT

Sun Life Assurance Society yesterday announced a 10 per cent increase in its interim dividend from 10.4 per cent to 11.4 per cent—an increase that disappointed the market.

The company makes the usual statement that the percentage increase should not be regarded as a guide to the size of the year's total dividend.

However, the significance of this statement to the market is that shareholders can expect a higher increase in the final payout. The market is looking for a 15-20 per cent increase for the whole year.

The rise of 1 to 12½ in the share price reflects the market expectation of the overall dividend increase. It feels that the company is keeping its options for higher payouts open to the final stage to counter any moves that its largest shareholder, TransAtlantic, might make.

Sun Life, like all life companies, only assesses its profitability at the year end following the actuary's valuation. So the only guide to the financial health of Sun Life is its new business growth and prospects.

The half-yearly new business figures, already published, showed a useful increase in new annual premiums from £28.1m to £30.5m and trebled single premiums and unit trust sales to £42.6m.

The company indicates that new business growth has been satisfactory in July and August.

Sun Life intends to be a major pension provider in the new pensions environment which comes into being next year—it has already started its sales and marketing campaign for group money purchase pensions.

And it intends to be a major player in the new personal pensions field.

Greenwich launches £15m bid for United Goldfield

By DAVID WALLER

Greenwich Resources—the small minerals prospecting company whose major asset is the Gebeit gold mine in the Sudan—yesterday launched an A\$34m (£15m) share offer for United Goldfield, an Australian gold company whose shares are traded on the Australian Stock Exchange.

At the same time, Greenwich announced a 1-for-5 rights issue to raise a total of £14.25m after expenses, the proceeds of which are intended to finance the cash alternative to the share offer, which values United at £32m (£14.3m).

Greenwich intends to maintain United's listing and use the company as a base for expansion in Australia and the Pacific Basin. At present, United is managed "passively" according to Greenwich, and most of its income is derived from 12½ per cent stake in the Paddington Gold Mine, one of Australia's larger gold pro-

ducers.

United's net profit before tax was A\$2.3m for the year to the end of June. In 1985-86, Greenwich turned a pre-tax loss of £227,000 into a profit of £302,000.

The rights issue is not conditional on the success of the offer, and Greenwich intends to use any surplus cash to accelerate its exploration and development activities in Venezuela and Egypt.

Australian takeover rules forbid potential bidders from holding informal discussions with takeover targets prior to launching the formal offer, but Greenwich said yesterday that it was hopeful that it would win management's backing for the offer.

Shares in Greenwich were suspended on Tuesday at 40p, giving the company a market capitalization of £88m. The new shares are being offered at 33.5p.

Falcon seeks re-listing

By LUCY HELLAWAY

Falcon Resources, the US oil company which has had its shares suspended on the London market since 1985, announced yesterday plans to return to the market in November with a £25m rights issue.

The company said the issue had been conditionally underwritten, and that £500,000 had already been advanced to cover immediate working capital needs.

As a part of the deal Falcon will acquire for shares the 75 per cent of the 1984 drilling programme of its one third owned associate, Falcon Andean Energy Company, which it does not already own.

Defaults on this drilling programme nearly resulted in

the compulsory liquidation of Falcon earlier this year. In July Falcon announced that it had reached a private settlement with Falcon Andean and Owl Creek, a fellow oil independent involved in the programme, involving an exchange of assets. It said that it had raised \$3m to enable it to complete the programme.

Brown and Shipley, the company's merchant bank advisor said that details would be sent to shareholders over the company's accounts for 1985-1986 at the first half of the current year had been audited, and when the company's reserves had been assessed by independent consultants.

The Chartered Institute of Bankers 

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Chief Executive, Prudential Corporation
Managing Director, Nomura International Finance
Partner, Clifford Chance
Chairman, International Stock Exchange
The architect of Big Bang's legal framework

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Dwyer buying portfolio

Dwyer has conditionally agreed to purchase a property portfolio for £10.75m, to be satisfied by the issue of 2.92m shares and £2m cash.

The seller is Authority Investments. Of the shares, 2.67m are to be placed on behalf of Authority at £3 each to raise £8m, and Dwyer shareholders are to be offered a clawback over the entire issue of the £2m held.

The portfolio comprises six freehold properties, primarily offices and retail, with a current income of £871,000 annually.

It is intended to retain the Wood Green office block (value £8.1m) as an investment, and the remaining properties would be added to the dealing stock.

• comment

A taciturn outfit, shy of expressing even the cautious optimism L & G has grounds for satisfaction with its record at the half-way stage. More to the point, with a UK life fund with assets of perhaps £22m in excess of its actuarial liabilities, it should have little problem funding the higher levels of policyholders' bonuses inaugurated by last March's annual declaration. That should help it in the harsher competitive era after the Financial Services Act. Also—another sign of change in the life insurance world—is an L & G life already taken a healthy £500,000 in pre-tax profits from Fairmount, the up-market British intermediary firm it bought this spring. Like Sun Alliance, L & G also triumphed over big weather claims on its non-life side, and can expect some good years from Victory, its re-insurance subsidiary.

Like the week, NEL—the larger neighbour of Victor—announced that it had an increased holding—up from 11.1 per cent to 16.88 per cent.

OCF bought the bulk of its interest back in July, when Victor shares were trading at the 120p level. Yesterday they closed 5p lower at 115p.

OCF sells its stake in Victor Products

Overseas Corporate Funds, Sydney-based investment company headed by Mr Geoffrey Hill—a former chief executive of Morgan Grenfell Australia—confirmed yesterday that it has sold its 5.4 per cent stake in Victor Products, the Tyneside-based industrial and mining equipment company.

Earlier this week, NEL—the

larger neighbour of Victor—announced that it had an increased holding—up from 11.1 per cent to 16.88 per cent.

OCF bought the bulk of its

interest back in July, when Victor shares were trading at the 120p level. Yesterday they closed 5p lower at 115p.

Lying behind the merger accounting treatment, however, is

Hollis services to be floated

By CLAY HARRIS

In yet another shake-up of Mr Robert Maxwell's multifarious business interests, Hollis—his original engineering vehicle—said yesterday that it planned to float as a separate company its professional and financial services division.

A separate stock market listing will be sought for the new company, which will be spun off to Hollis shareholders. It was unclear last night whether Hollis would retain any direct holding or if any new capital

would be raised.

Hollis announced the plan with its interim results, showing a quadrupling of pre-tax profits to £4.44m (£1.02m). The group's fluid composition makes meaningful comparison with previous—or future—periods difficult to achieve.

Only last month, Hollis sold its security printing publishing interest for £25m to British Printing and Communication Corporation, also controlled by Mr Maxwell. The businesses had been acquired from Pergamon

Press in August 1986 as part of a previous re-organisation, which also brought Hollis some of the titles which are now to be floated.

The company said that it was committed to rapid expansion through organic growth and further acquisitions.

Fully diluted earnings per share trebled to 3.8p (1.8p). Hollis is to pay an interim dividend of 1p (nil) and forecast a final of at least 2p (nil). Hollis shares gained 1p to close at 145p.

Lock and Floform had achieved record profits, Stothert and Pitt had returned to the black (and taken Ransomes and Rapier under its wing as a subsidiary).

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Pittard Garnar makes £3.8m midway

By NIKKI TAIT

Shares in Pittard Garnar—the merged leather group which finally evolved from the bid battle last May between Hillsdown Holdings and Pittard over Garnar Booth—yesterday jumped 17p to 37.2p yesterday as the company unveiled pre-tax profits of £3.8m in the six months to July 3, on turnover of £86m.

Its tannery businesses performed well, although the raw material side saw stiff competition for British sheepskins.

"The prices which have had to be paid have been at the expense of any realistic profit margin," says the group. However, the modernisation and rationalisation of the sheepskin clothing and chamois leather businesses are now at an advanced stage" and the profitable skivers business is also being relocated. The company

expects higher profits. Pittard, meanwhile, saw a first half improvement from £1.74m pre-tax to £2.16m, and says that all three arms—shoe upper, leather, gloving and clothing leather—showed improved margins. The merged company intends to retain the bulk of Garnar's raw material end. Furthermore, the somewhat gentlemanly approach does not seem hell-bent on squeezing maximum gain in minimum time, and the more fundamental advantages make take a while to show. Happily, Pittard seems to be firing on all three cylinders, and Garnar could only improve on the disastrous first half last time. Full-year predictions now range around £8m, putting the likes

• comment

Two arguments were advanced for the Pittard Garnar merger—namely that Pittard's marketing and technical strengths could help the likes

of Garnar's shoe and chamois interests, and that Garnar's raw materials supplies could aid Pittard, especially in expansion of its clothing leather interests. The downside is that Pittard, previously occupying some rather nice higher-margin niches, is now exposed to the rough and tumble of Garnar's raw material end. Furthermore,

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UK COMPANY NEWS

Wilson Bowden upsurge

THE FIRST interim figures of Wilson Bowden since the Leicester-based housebuilder came to the market in March, show a sharp upturn in pre-tax profits from £3.15m to £5.9m. Turnover for the first half of 1987 rose 19 per cent to £35.3m.

The company said yesterday that the second half, historically stronger than the first, had started well and the outlook for the full year was very encouraging.

Over the past five years, pre-tax profits have risen from £3.5m to £8.33m on turnover up from £24m to £65m.

In the first half, profits from housebuilding grew from £1.1m to £5.06m, while property development contributed an increased £1.13m (£99.6m). Rental income from investment properties added £19.4m (£259.9m) while profits on sales were up £15.000 at £273.000.

Wilson said it was continuing to add to its residential and commercial land banks, on a selective basis, in order to secure future growth.

Net interest charges were down from £1.13m to £76.300 and after tax of £2.06m (£1.1m) earnings per 10p share came to 6.2p against 3.9p.

There is a first interim dividend of 1.3p.

• comment

Fast-growing building companies are two-a-penny these days but the market was sufficiently impressed with Wilson Bowden's first post flotation figures to mark the shares up 11p to 188p. The fact that W.B. operates outside the South East works doubly in its favour; it makes the current growth look all the more creditable and it also reduces its exposure to a property downturn. If the latter does happen then the company's landbank—about three years' production at current rates—might yet turn it into a defensive stock. Add in the potential of the property development arm and the shares do not look over-rated on a prospective p/e of 12.5, assuming pre-tax profits of £13m for the full year.

BLP confident after 34% profits increase

Bonded Laminates Predele, manufacturer of laminates, veneer bandings and mouldings, which joined the USM earlier this year, increased pre-tax profits by 34 per cent to £44.000 on turnover from £23.57m to £31.34m for the six months ended June 30, 1987.

Mr Philip Maurice, chairman, said that order books of both UK subsidiaries were continuing at a satisfactory level and the company was continuing its policy of investing in additional plant. The factory in the US had now been completed and the first mouldings had been produced.

The company considered that it would fulfil the objectives outlined in the prospectus and looked forward to the future with confidence.

The combined profit for 1986, as stated in the prospectus, was £70.000 and apportioning this on a turnover basis, the six months ended June 30 produced the comparative profit of £32.800. On the same basis, earnings per 10p share had risen from 2.77p to 3.54p.

Tax amounted to £16.000 (£11.000) and there was an extraordinary item, relating to start-up expenditure of the US factory, of £39.000.

A first interim dividend of 1p was declared.

Matthew Hall rises to over £6m

BY FIONA THOMPSON

Matthew Hall, engineering designer and contractor, yesterday announced increased interim profits and the appointment of a new chairman, Sir George Jefferson, former chairman of British Telecom.

Increased order books helped lift pre-tax profits to £6.13m for the six months to June 30, 1987, compared with £5.75m for the same period last year. This is the first time the company has reported six-monthly interim figures, up to now it has published nine-monthly.

The comparative figures have been adjusted accordingly.

Trading profit was up 24 per cent at £5.47m against £4.40m on slightly reduced turnover of £25.60m compared with £28.10m. Earnings per share increased by nearly 15 per cent to 5.28p.

The mechanical and electrical sector's trading profits rose by £49.000 to £2.7m, while the oil, gas and chemical division

was up to £2.4m from £1.8m.

The design and construction sector showed a healthy three-fold-plus increase from £165.000 to £517.000—though this figure would have been more than doubled had one major contract not incurred a substantial loss.

Mining and minerals plunged to £258.000 against £382.000. Figures in this sector were affected by the low level of contract completions during this, the scene is not very strong, according to Mr Donald Parvin, chief executive.

The mechanical and electrical sector is increasingly busy with improved workloads, he said, and there is some sign of margins improving in UK. In the US, Worsham Sprinkler, acquired in December last year, is doing well.

In the oil, gas and chemical sector there has been more activity recently and the company

has won its first contract in the southern North Sea, for a platform design.

The group is still actively seeking acquisitions, principally in the mechanical and electrical sector in the US. The company was in the early stages of talks with a large concern, with turnover of about \$300m and part of a US quoted corporation.

Interest receivable fell to £58.000 from £1.34m. The tax charge was £2.02m, against £2.15m. The company declared an interim dividend of 1.87p, compared with 1.75p last time.

• comment

Matthew Hall faces the problem common to all contracting companies: it may get an order today to build an oil rig but it will not see any profit for at least a twelve month. A low level of completions for the next nine to 12 months means

the oil, gas and chemical side will still be a bit of a black hole for the rest of this year and the first half of next. However, prospects are better now than at any time in the last two years. The mechanical and electrical sector is definitely looking up, with the Australian operation doing particularly well and the design and construction side should show materially improved second half figures, now that the company has put the significant loss caused by one major contract behind it. Mining and minerals looks pretty dreary with not a lot of work in store.

The appointment of Sir George Jefferson as chairman is seen as good news in the City, his excellent contacts should open many doors. The shares closed 2p down yesterday at 27.7p. Assuming pre-tax profits for the year of £9m, that puts them on a fair prospective p/e of about 13.

Bridon at £5.2m after restructure

BRIDON, Doncaster-based engineer and maker of wire, wire rope, fibres, and composites products, reported pre-tax profits of £5.2m for the first half of 1987. That equalled the result last time which included £200.000 from the Mexican associate since sold.

The benefits from the rationalisation programme put in place last year had been somewhat offset in the first half by the effects of reduced demand in Europe and lower margins, mainly due to the polymer products, said Christopher Leadshaw, chairman. Group turnover for the period was slightly up at £97.8m.

He added that further cost reductions and improved efficiencies were being continuously and vigorously pursued in order to enhance the group's competitive position for the future.

An unchanged interim dividend of 1.5p is being paid. For 1986 the total was 5.5p when pre-tax profits were £10.4m.

In the UK the British Ropes rationalisation programme led to better results although the degree of benefit was reduced by the decline in demand for wire rope and ancillary products.

In the US rationalisation led to much improved results, he said. The group's share of the wire rope market in New Zealand had been maintained.

Operating profits came out at £7.2m (£2.9m) for Bridon, and its share of results of the continuing related companies was £3m (£2.6m). An exceptional credit of £80.000 (£30.000) related to property disposal profits.

As yet, Addison has made no acquisitions this year, but in 1986 it bought Aldcom Inter-

national and Taylor Nelson, and merged with Chetwynd Streets.

Earnings per share worked out at 5.05p, a 20.8 per cent increase, and the dividend was raised by 12.4 per cent to 0.9p per share.

• comment

Addison grew too rapidly for the market's liking last year, and a bout of investor indecision was inevitable as the share capital mushroomed from 16m shares to issue prior to the merger with Chetwynd to 55m after the acquisition of Aldcom. As yesterday's figures show, Addison has survived the turbulence of 1986—the reorganisation of Aldcom's diverse subsidiaries, the defection of a team of top staff to found a rival PR agency—unscathed and operating profits were up nearly 80 per cent without the benefit of a single acquisition. At the pre-tax level, profits were ahead of expectations of £3.6m to £4.5m, and the shares added a modest 2p to close at 19.2p. They are on a p/e of 16. If Addison makes £10m in the full year—in line with the sector,

BOARD MEETINGS

	FUTURE DATES
Intergration	Sept 28
Colorgraph	Oct 5
Debtors	Oct 5
Laidlow Threshers	Oct 15
Meridian Plastic Invest. Trust	Sept 23
Thermal	Sept 23
Tilbury	Sept 23
Vista Gatto	Sept 23
Woolmark Developments	Sept 23
Cloose Brothers	Oct 1
Dowding and Mills	Oct 12
Elcan	Sept 23
GC Financial Services	Sept 23
Scottish Metropolitan Property	Oct 16

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (1980=100). All seasonally adjusted.									
Ind. prod. output Eng. orders Retail vol. vol. Employed Vacancies									
1986									
1st qtr.	100.1	100.2	97	110.3	140.3	2.171	166.5		
2nd qtr.	100.5	100.6	96	122.7	151.8	2.208	175.6		
3rd qtr.	100.9	101.0	94	128.5	154.5	2.208	180.2		
4th qtr.	104.0	104.1	94	128.5	154.5	2.161	181.0		
1987									
1st qtr.	111.8	117.2	91	125.5	171.0	2.972	184.4		
2nd qtr.	112.4	116.9	91	125.3	166.0	2.955	182.1		
3rd qtr.	112.6	117.1	93	127.0	154.5	3.065	187.1		
4th qtr.	112.8	117.3	91	125.5	157.8	3.048	188.6		
TODAY									
Intergration	Sept 28								
Colorgraph	Oct 5								
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Palma share sale

Palma Group has sold its 24.9 per cent stake in Towles, realising slightly over £500,000 less than £22.000 credit.

The tax charge fell to

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After tax per share amounted to 5.0p (4p).

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JULY 1987

UK COMPANY NEWS

Improved margins help DRG profits rise 19%

PRE-TAX profits of DRG for the half year ended June 30, 1987, rose 19 per cent, reflecting a 9 per cent increase in turnover backed up by an improvement in net operating margins.

Sir John Milne, in his initial statement as chairman, said that was very positive progress and the full year should show a satisfactory outcome.

The turnover totalled £355m (£322.5m), operating profit came to £27.5m (£22.8m) of which £19.5m (£16.1m) was earned in the UK, and the pre-tax balance was £24.6m (£20.6m). Exceptional charges were down to £80,000 (£900,000), being redundancy costs less profit on disposal of assets, while net interest charges rose to £2.2m (£1.6m).

After effectively higher tax, earnings worked through at 16.8p (14.6p) and the interim dividend is lifted to 4.1p (3.65p).

Sir John said within the UK stationery business profits were sustained by strong demand across the full product range. Overseas sales increased by 26 per cent. A restructuring of the Sellotape manufacturing

operation was already producing a playback.

UK plastic packaging factories were busy but profits were affected by the impact of technological change and by higher resin costs.

Overseas, the highlight was the performance of the Canadian group, which improved its profits dramatically. In the US the strong level of demand had continued.

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Bellwinch just beats prospectus forecast

BELLWINCH, the housebuilder which came to the market via a placing in April, has produced a record pre-tax profit of £4.75m for the year to June 30 compared with prospectus forecast of £4.6m and £3.58m for 1986-87.

The company markets its homes under the local trading names of Roger Malcolm, Banking Homes and Webb Homes. Reviewing progress of the various divisions Mr Robert King, chairman, said that Roger Malcolm London that Clipper Quay on the Isle of Dogs has produced record sales. The development will be concluded during the current year.

Properties Place, Wapping was completed while Hogarth Mews in Ecton recorded 100 per cent reservations and will be completed during the 1987-88 financial year.

Detailed planning permission has been received for over 300 homes at the group's largest site at Millwall Wharf, Isle of Dogs. The division's major development at St Leonard's Hamlet, comprising nearly 400 residential homes, was successfully launched this year, with excellent forward reservations.

Webb Homes, which concentrates its activities along the M2, M4 and M27 corridors has acquired further sites at Southampton and the Isle of Wight since the company's flotation. The group's bankbook is now sufficient for approximately four years.

Turnover last year was up 29 per cent to £28.34m (£22.16m) and the operating profits 49 per cent higher at £5.13m (£3.47m).

Net earnings per share were 11.4p (5.4p) on a net basis and 10.6p (n/a) fully diluted. The final dividend is 15 per cent to £4.5m, against £3.75m.

Because of the seasonal nature of the company's business, the majority of sales and resulting profits are earned in this period.

However, the company said it was confident that the improvement would be maintained and it looked forward to another successful year.

The financial services division was on budget for the first half of the year. The marketing services division (the CT Group) exceeded its budget in the first half but appeared to be on course for the full year.

After a careful review, the marketing operation based in Hamburg had been closed and

Offer puts £33m tag on Explaura

BY PHILIP COGGAN

When the Newfoundland Colonization and Mining Company laid a cable across the East Canadian island at the turn of the century, it received a grant of 64,000 acres from the British Crown in return. Now, many years and corporate incarnations later, part of that land is the basis for only the second offer for sale on the Unlisted Securities Market this year.

The company markets its homes under the local trading names of Roger Malcolm, Banking Homes and Webb Homes. Reviewing progress of the various divisions Mr Robert King, chairman, said that Clipper Quay on the Isle of Dogs has produced record sales. The development will be concluded during the current year.

Properties Place, Wapping was completed while Hogarth Mews in Ecton recorded 100 per cent reservations and will be completed during the 1987-88 financial year.

Detailed planning permission has been received for over 300 homes at the group's largest site at Millwall Wharf, Isle of Dogs. The division's major development at St Leonard's Hamlet, comprising nearly 400 residential homes, was successfully launched this year, with excellent forward reservations.

Webb Homes, which concentrates its activities along the M2, M4 and M27 corridors has acquired further sites at Southampton and the Isle of Wight since the company's flotation. The group's bankbook is now sufficient for approximately four years.

Turnover last year was up 29 per cent to £28.34m (£22.16m) and the operating profits 49 per cent higher at £5.13m (£3.47m).

Net earnings per share were 11.4p (5.4p) on a net basis and 10.6p (n/a) fully diluted. The final dividend is 15 per cent to £4.5m, against £3.75m.

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After a careful review, the marketing operation based in Hamburg had been closed and

cost around £822m (£10m) and the company is receiving £813m of its target via a subsidised loan from the Canadian government, with the rest of the proceeds coming from the offer.

Production is not expected to begin in earnest until 1989 and in the medium term the company hopes that output will reach 4.2m tons a year. East Coast prices for aggregates materials like limestone have risen in recent years as the availability of land-based supplies have dwindled and the company hopes that sea transport will give it both flexibility and a cost advantage over other producers.

Explaura Holdings, as the Newfoundland company is now known, plans to build a quarry at Lower Cove Bay on the island to exploit the estimated 1.2bn tons of limestone reserve there. The limestone would be processed at the plant and then transported, via ship, to the East Coast of the US and sold mainly to the construction industry.

Establishing the quarry will

and investors could be forgiven for telling this Explaura to get lost. That might be misguided. Certainly, the risk element of any greenfield project is high; but this venture appears better researched than most. Unlike many other start-ups, it depends not on the potential appeal of some new hi-tech product but on a commodity with everyday uses in the building of roads and bridges. The business behind the project were keen enough to fund it over the summer while the offer was caught up in the Canadian bureaucratic machine and are unwilling to let the shares go. No one could predict that an investment is a gamble, but it might not be unreasonable to assume that the shares could resume trading at a price not far from the 45p at which they were suspended under rule 535 (3).

COMMENT

A prospectus that talks of quartzite-silica-feldspar felsic and rip rap stone obviously requires careful consideration. Add in the fact that the record of previous USM start-up companies has been less than adequate

Profits grow at Weyvale Garden Centres

W

eyvale Garden Centres, which joined the USM earlier this year, yesterday reported pre-tax profits up 26 per cent from £482,000 to £601,000 for the first half of 1987. Sales rose 17 per cent to £4.54m, against £3.75m.

Because of the seasonal nature of the company's business, the majority of sales and resulting profits are earned in this period.

However, the company said it was confident that the improvement would be maintained and it looked forward to another successful year.

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After a careful review, the marketing operation based in Hamburg had been closed and

Wills looks to longer term after 27% profits decline

Wills Group, specialist in imports and financial services, announced a 27 per cent fall in pre-tax profits from £1.06m to £779,000 on turnover down from £56.44m to £54.86m.

In 1988 the group increased pre-tax profits from £822,000 to £2.23m, mainly due to the performance of CT Group, acquired in 1985.

Mr Robin March, chairman, said yesterday that the first half of this year had seen a number of strategic actions taken to enhance the longer-term position.

The financial services division was on budget for the first half of the year. The marketing services division (the CT Group) exceeded its budget in the first half but appeared to be on course for the full year.

After a careful review, the marketing operation based in Hamburg had been closed and

Huntleigh Technology constrained

Continued investment in developments and new product launches, and marketing, coupled with the weakness of the dollar, hit the profit of Huntleigh Technology in the first half of 1987.

Sales of this USM quoted manufacturer of instrumentation and control systems rose 15 per cent to £5.32m, but operating profit fell from £563,000 to £228,000 and the pre-tax balance from £435,000 to £138,000.

Sales growth was achieved primarily in export markets with a large part arising in the US, where profits were constrained by the weak dollar. The directors were concentrating on the stronger currency markets.

Earnings for the half year were 1.11p (8.22p) and the interim dividend is held at 0.5p.

Mucklow pushes on to £6m

FOR THE year ended June 30 1987 A. & J. Mucklow Group lifted its pre-tax profit from £5.37m to £6.01m. And the net figure was boosted by a £522,000 surplus from the pension fund.

Net profit for the year was 5.38p (£.7m) and earnings came to 8.65p (7.01p) per share. The final dividend is 3.38p for 1987.

Principal activity is industrial property investment and development and the group claims to be the largest owner of factory estates in the IMD.

UCL ahead 43% at six months

UCL Group, the London-based computer specialist company which came to the USM in April, increased pre-tax profits by 43 per cent from £253,000 to £352,000 in the half-year to June 30.

Turnover more than doubled from £2.84m to £5.51m.

Mr Nicholas Drescher, chairman, said yesterday that the first half had seen continued growth. The proportion of business in the financial sector was in line with previous years and two significant orders were taken with projected delivery later this year.

The company was in advanced negotiation with several prospective clients in both the private and public sectors. The market response to the Personnel package product, for which a first order was received in June, had been promising.

After a tax of £205,000 (£143,000), earnings per share were increased to 4.3p (3.5p).

It is intended to pay a final dividend for the year.

Pauls Malt sale

Harrison & Crossfield subsidiary, Pauls Malt, is to sell its Strasbourg malting company, Usines Ethel, to a consortium of French malting companies.

The consideration will be around £1m payable in cash, and prior to the sale Usines Ethel will repay to Pauls Malt loans of £700,000.

Blockleys profits jump to £1.75m at midway stage

BLOCKLEYS, Telford-based facing brick manufacturer, boosted taxable profits by more than 68 per cent from £1.04m to £1.75m on turnover up from £4.32m to £6.01m in the first half of 1987. At the end of 1986, the company had stated its optimism about results for 1987.

The directors declared an interim dividend of 2.7p—compared with an adjusted 1.57p last time—and earnings per share rose from 75 per cent from 5.41p to 9.48p.

Mr Thomas Wright, chairman, said that turnover during the period had benefited from increased sales of the company's Heritage range of facing bricks. Orders for these and Blockleys' wirecut facing and pavers had continued to increase to a level where the company was now taking from stock to meet the

budget and the outcome for the year should be satisfactory. In 1986, profits reached £602,000 from £167,000 to £175,700 in the first half of 1987; on turnover up 14 per cent ahead at £465,000.

The company's main trading areas, the Miss World contest and the Miss United Kingdom contest, occur after June 30 and therefore the second six months of the calendar year are more profitable than the first.

Mr Eric Morley, the chairman, said yesterday that current trading was up to a fresh level.

Net profits for the period were £122,300 (£100,300) after tax of £75,700 (£67,000) and an extraordinary credit of £22,303 being profit on the disposal of loans of £700,000.

"The Group's land bank is now sufficient for approximately four years.... I am confident that the current year will be a period of worthwhile progress..."

Robert H. King
Chairman

BELLWINCH, the housebuilder which came to the market via a placing in April, has produced a record pre-tax profit of £4.75m for the year to June 30 compared with prospectus forecast of £4.6m and £3.58m for 1986-87.

The company markets its homes under the local trading names of Roger Malcolm, Banking Homes and Webb Homes. Reviewing progress of the various divisions Mr Robert King, chairman, said that Clipper Quay on the Isle of Dogs has produced record sales. The development will be concluded during the current year.

Properties Place, Wapping was completed while Hogarth Mews in Ecton recorded 100 per cent reservations and will be completed during the 1987-88 financial year.

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Webb Homes, which concentrates its activities along the M2, M4 and M27 corridors has acquired further sites at Southampton and the Isle of Wight since the company's flotation. The group's bankbook is now sufficient for approximately four years.

Turnover last year was up 29 per cent to £28.34m (£22.16m) and the operating profits 49 per cent higher at £5.13m (£3.47m).

Net earnings per share were 11.4p (5.4p) and a first interim dividend of 0.73p has been declared. During the period, Weyvale's garden centres increased by two to 15.

The final dividend is 15 per cent to £4.5m, against £3.75m.

Because of the seasonal nature of the company's business, the majority of sales and resulting profits are earned in this period.

However, the company said

COMMODITIES AND AGRICULTURE

Harvest gloom for UK millers

BY BRIDGET SLOOM

FLOUR MILLERS in the UK face a possible 25 per cent increase in their raw material costs as a result of the poor British harvest, now within two weeks of completion.

The wheat harvest could be down to 12m tonnes, or nearly 2m tonnes less than last year. Critically for the millers, the heavy rains, especially in East Anglia, have meant a very marked decline in the amount of bread-making quality wheat which is available to them.

Millers are already paying a substantial premium for home-grown milling wheat, with prices nearing £150 a tonne from around £115 in July. Some millers estimate that instead of using home-grown wheat to fulfil 80 per cent of their requirements of some 5.2m tonnes this year, they may be able to find only 50-60 per cent from abroad.

The millers point out that estimates of the impact of the price rises on their business are still tentative, partly because the harvest is not yet complete in parts of eastern England and Scotland. It is not

yet clear, therefore, how much wheat will have to be imported to make up the shortfall, and from where.

If the worst predictions are fulfilled, however, and substantial quantities of high quality wheat have to be imported from North America, increases in the price of bread seem certain to follow.

While figures for the overall harvest are unlikely to be available for another fortnight, it is already clear that East Anglia, which normally produces over 70 per cent of the country's high quality milling wheat, has produced crops markedly lower in both quantity and quality.

Protein levels are apparently up on last year, but the grain's suitability for turning into high quality flour and thus good bread dough—as judged by the so-called Hargberg test—is "dismal," according to the National Association of British and Irish Millers.

British millers—Rank Hovis, Spillers and Allied between them have 75 per cent of the market—are already snapping

up high quality wheat from other European Community states. Spain has had a relatively good harvest but France, Germany and Denmark, the other major wheat producers, have also suffered from poor weather.

One miller estimates that Britain might import about 1.5m tonnes from the rest of the EC, including 1m tonnes from France and 350,000 tonnes from Spain. That would compare with total imports from the EC last year of some 600,000 tonnes.

In addition, however, imports from North America, notably from Canada, seem certain to be stepped up, possibly to 800,000 tonnes. Because of the heavy import duties imposed through the common agricultural policy, Canadian wheat costs at least 50 per cent more than EC wheat.

Suggestions that the shortfall might be made good from the large stocks of wheat being held in the EC's intervention stores are officially discounted both at the Ministry of Agriculture in London and the EC

Commission in Brussels.

The EC's wheat stocks stood at some 6m tonnes in mid-summer, with 2.8m tonnes of that reportedly being of bread-making quality. However, according to British officials, there is no bread-making quality wheat in intervention in the UK while the Commission is apparently reluctant to consider releasing any high-quality wheat from intervention until the size of the harvest throughout Europe, and the extent of the strike threat to Inco's Thompson facility in Manitoba. The only other rise of any size among the base metals was in zinc, which responded to short-covering and trade buying. There was still no apparent bearish reaction to news of the collapse of talks aimed at agreeing a joint strategy for rationalising European zinc production dealers noted. On the London coffee futures market, prices declined much of Tuesday's decline was seen as a reaction on the New York market.

But traders said interest in the market appeared to be flagging, possibly because of the approach of next week's International Coffee Organisation talks on the reinstatement of export quotas.

LME prices supplied by Amalgamated Metal Trading.

LONDON MARKETS

NICKEL PRICES made further ground on the London Metal Exchange yesterday as a rise based on technical tightness sparked off a wave of nervous covering by operators who had sold the market short earlier. The market trend was aided by the arrival of a chart showing

that consumer demand appeared to be holding up well enough to counteract any downward pressure that might have been expected to result from the removal of the strike threat to Inco's Thompson facility in Manitoba. The only other rise of any size among the base metals was in zinc, which responded to short-covering and trade buying. There was still no apparent bearish reaction to news of the collapse of talks aimed at agreeing a joint strategy for rationalising European zinc production dealers noted. On the London coffee futures market, prices declined much of Tuesday's decline was seen as a reaction on the New York market.

But traders said interest in the market appeared to be flagging, possibly because of the approach of next week's International Coffee Organisation talks on the reinstatement of export quotas.

LME prices supplied by Amalgamated Metal Trading.

INDICES REUTERS

Sept. 18 Sept. 15 Sept. 10 Year ago
1984-7 1064.5 : 1072.4 : 1514.2
(Base: September 18 1981=100)

DOW JONES

Dow Jones	Sept. 18	Sept. 15	Mon.	Mon.	Year
100	102.81	102.81	-	-	1987
Spot	128.81	128.81	-	-	—
For	130.80-131.16	—	—	—	—
	(Base: December 31 1931=100)				

(Base: December 31 1931=100)

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound better as dollar holds

THE DOLLAR traded quietly, showing no sign of breaking out of its recent range of DM 1.79 to 1.82 and Y141 to Y145.

Confidence was further undermined by Tuesday's news of a record \$41bn US current account deficit for the second quarter, fuelled by growing nervousness over US trade deficits, as Treasury bond prices continued to fall. The general mood among dealers suggested another depreciation of the dollar, but possibly not in the immediate future.

Support from technical factors may first push the currency higher, as traders cover short positions taken out before last week's US trade figures. Dealers will then come in on the dollar higher, but only until the technical shortage of dollars has been corrected, and saw chart based resistance at DM 1.825.

Downward pressure from the US trade deficit is then expected to resume, although the market is likely to become increasingly nervous ahead of the International Monetary Fund annual meeting at the end of the month.

Any sign of the dollar testing lows touched earlier this year may bring central banks into action, as finance ministers from the major industrial nations discuss again the subject of currency stability.

The dollar closed unchanged at DM 1.8155 and at SFY 1.5055, while improving to Y144.35 from Y144.00 and easing to FFY 6.0523 from FFY 6.0573.

On Bank of England figures the dollar index was unchanged at 101.0.

\$ IN NEW YORK

	Sept. 16	Last	Previous
A. Spot	1.4260-1.4270	1.4240-1.4270	
1-month	1.4300-1.4290	1.4280-1.4290	
3 months	1.4350-1.4300	1.4320-1.4300	
12 months	1.4375-1.4385	1.4350-1.4385	

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Sept. 16	Previous
8.30 AM	72.1	72.3
9.00 AM	72.1	72.3
10.00 AM	72.1	72.0
11.00 AM	72.1	72.0
1.00 PM	72.0	72.0
2.00 PM	72.1	72.0
3.00 PM	72.1	72.0
4.00 PM	72.1	72.0

	Sept. 16	Previous
8.30 AM	72.1	72.3
9.00 AM	72.1	72.3
10.00 AM	72.1	72.0
11.00 AM	72.1	72.0
1.00 PM	72.0	72.0
2.00 PM	72.1	72.0
3.00 PM	72.1	72.0
4.00 PM	72.1	72.0

*CSDR rate for Sept. 15: £1.04019

CURRENCY RATES

	Sept. 16	Bank Rate	Special Rate	European Currency Unit
Starting	0.78460	0.78460		
U.S. Dollar	1.5	1.5		
Canadian \$	1.5	1.5		
Austrian Sch.	4	4		
Belgian Franc	1.42	1.42		
Dutch Guilder	1.42	1.42		
Deutsche Mark	1.0	1.0		
French Franc	2.37	2.37		
Italian Lira	2.37	2.37		
Swiss Franc	1.42	1.42		
Yen	1.42	1.42		

*CSDR rate for Sept. 15: £1.04019

CURRENCY MOVEMENTS

	Sept. 16	Bank of England Index	Moving Average Change %
Starting	73.1	-0.3	
U.S. Dollar	102.0	-0.3	
Canadian \$	76.8	-0.3	
Austrian Sch.	12.5	-0.3	
Belgian Franc	95.9	-0.3	
Dutch Guilder	90.8	-0.3	
Deutsche Mark	142.5	-0.3	
French Franc	125.3	-0.3	
Italian Lira	124.9	-0.3	
Swiss Franc	124.9	-0.3	
Yen	117.2	-0.3	

Morgan Guaranty changes average 1980-76 to 100.00. All rates used (less average 1978-1980).

OTHER CURRENCIES

	Sept. 16	S	S
Argentina	4.0205-4.0475	2.4490-2.4590	
Australia	2.2415-2.2445	1.3250-1.3275	
Brazil	2.2050-2.2270	4.9740-4.9830	
Greece	225.75-229.70	137.20-139.50	
Hong Kong	12.20-12.25	12.00-12.05	
Iraq	117.25*	71.15*	
Kuwaiti Dinar	130.75-133.70	80.30-80.70	
Kuwaiti Yen	0.4540-0.4620	0.2105-0.2115	
Luxembourg	4.1300-4.1400	2.5020-2.5100	
Morocco	2.8050-2.8150	1.5800-1.5840	
New Zealand	1.2675-1.2715	1.5675-1.5705	
South Africa	2.6200-2.6300	2.0200-2.0265	
Spain	3.4200-3.4500	2.0215-2.0265	
Sweden	3.3500-3.3745	2.0500-2.0500	
S. Afr. (Cdo)	3.3500-3.3745	2.0500-2.0500	
U.K.	3.2975-3.3225	2.0200-2.0215	
U.S.A.	3.6725-3.6735	2.0200-2.0215	

*Offer rate.

MONEY MARKETS

UK rates unmoved by good figures

INTEREST RATES were barely changed in the London money market yesterday. Better than expected PSBR and manufacturing output figures failed to create much of a response. This was partly because traders could still see little reason why interest rates were likely to move from current levels, especially not downwards, and also because attention was focused on tomorrow's release of bank lending and money supply figures.

UK clearing bank base lending rate 10 per cent since August 7.

Three-month interbank money was quoted at 10½-10 per cent, same as on Tuesday while the six month rate was also unchanged at 10½-10 per cent. Overnight money continued to be in reasonable supply even though the Bank gave less help than the published shortage.

Overnight money opened at 9½-9¾ per cent and rose to 9¾-9½ per cent before slipping back to 9½-9 per cent. However rates rose to a high of around 11 per cent before finishing bid at 10½ per cent.

The Bank of England forecast a shortage of around £100m with factors affecting the market

STERLING — Trading range against the dollar in 1987 is 1.4085 to 1.4718. August average 1.4595. Exchange rate index rose 0.1 to 71.4, compared with 71.4 a year ago.

Sterling traded steadily, gaining ground against the dollar and major currencies in general, as underlying sentiment was boosted by encouraging economic news.

The August Public Sector Borrowing Requirement of £275bn was about half the figure forecast by the City, while the rise of 2.2 per cent in July industrial production was about double most forecasts.

The year was little changed with the US currency closing at Y143.30 in Tokyo, compared with Y143.90 on Monday. The market was closed for a public holiday on Tuesday.

Sentiment towards the dollar remained depressed following last month's US trade figures, but dealers noted the currency had found support at Y145. It was suggested this may be the trading range until the IMF annual meeting at the end of the month.

The pound gained 30 points to \$1.4926 and also rose to Y2.9825, from Y2.9750 on Friday, and to SFY 2.4775 on Saturday.

The pound showed very little change against the dollar, after a

very quiet day. The dollar closed at DM 1.8190 in Frankfurt, compared with DM 1.8120 on Tuesday. The Bundesbank did not intervene in the day when the dollar was fixed at DM 1.8123, against DM 1.8176.

Dealers spoke of strong technical resistance at DM 1.8225, and continued a further fall in the value of the US currency.

JAPANESE YEN — Trading range against the dollar in 1987 is 138.45 to 138.32. August average 140.47. Exchange rate index 220.82.

The yen was little changed in July, while the rise of 2.2 per cent in July industrial production was about double most forecasts.

The year was little changed with the US currency closing at Y143.30 in Tokyo, compared with Y143.90 on Monday.

The market was closed for a public holiday on Tuesday.

Sentiment towards the dollar had improved, but the currency had found support at Y145. It was suggested this may be the trading range until the IMF annual meeting at the end of the month.

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DEUTSCHE MARK — Trading range against the dollar in 1987 is 1.20-1.21. August average 1.2045.

The mark was little changed in July, while the rise of 2.2 per cent in July industrial production was about double most forecasts.

The year was little changed with the US currency closing at Y143.30 in Tokyo, compared with Y143.90 on Monday.

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UNIT TRUST INFORMATION SERVICE

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Ref	Date	Location	Notes	Spots	Comments
1014	Da 11-3pc 2012			103	
82	SLC 6pc 1990-92			103	
119	Leeds 13pc 2006			107	+2
22	Liverpool 3pc Interv.			119	
85	SLC 6pc 98-99			22	
21	Da 3pc 2014			57	-2
103	Warrington 11pc 2007			24	

Continued on next page

LONDON SHARE SERVICE

AMERICANS—Continued

	Price	+ or -	No.	Yield
Neg Low Stock	250	-16	51,000	—
223 Gars Lee St	210	-1	1,200	—
111 Farnell Electronics F.J. St	210	-1	1,200	—
141 G. Stanley Continental	190	-1	2,200	—
424 SMC Corp. 30/25	30	-1	300	—
382 SMC Corp. 30/25	30	-1	300	—
2027 Do. Inc. 10/25	91.5	-2	200	—
171 A/T Texas 56.25	20.5	-2	200	—
741 A/T Texas 56.25	20.5	-2	200	—
11 Tractor 30.33	19.5	-2	200	—
306 Transamerica St	25.5	-2	200	—
142 U.S. Steel Corp. 35	25.5	-2	200	—
244 U.S. Steel Corp. 35	25.5	-2	200	—
154 WUSA St	21	-1	200	—
145 Union Carbide St	21	-1	200	—
334 US West 30/25	30	-1	200	—
277 US West Management St	27.5	-1	200	—
178 Whitehead St	120	-1	200	—
374 Whitworth St	30.5	-1	200	—

BUILDING, TIMBER,
ROADS—Cont

	Price	+ or -	No.	Yield
High Low Stock	250	-16	51,000	—
223 Gars Lee St	210	-1	1,200	—
111 Farnell Electronics F.J. St	210	-1	1,200	—
141 G. Stanley Continental	190	-1	2,200	—
424 SMC Corp. 30/25	30	-1	300	—
382 SMC Corp. 30/25	30	-1	300	—
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142 U.S. Steel Corp. 35	25.5	-2	200	—
244 U.S. Steel Corp. 35	25.5	-2	200	—
154 WUSA St	21	-1	200	—
145 Union Carbide St	21	-1	200	—
334 US West 30/25	30	-1	200	—
277 US West Management St	27.5	-1	200	—
178 Whitehead St	120	-1	200	—
374 Whitworth St	30.5	-1	200	—
225 Wimpey St	120	-1	200	—
177 Wimpey St	120	-1	200	—
375 Wimpey St	120	-1	200	—
226 Wimpey St	120	-1	200	—
178 Wimpey St	120	-1	200	—
376 Wimpey St	120	-1	200	—
227 Wimpey St	120	-1	200	—
179 Wimpey St	120	-1	200	—
377 Wimpey St	120	-1	200	—
228 Wimpey St	120	-1	200	—
178 Wimpey St	120	-1	200	—
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LONDON STOCK EXCHANGE

Good economic news lifts equity leaders and index closes 15.3 up at session's highest

Account Dealing Dates
 Option
 First Declara- Last Account
 Dealings Gons Dealings Day
 Aug 24 Sept 10 Sept 11 Sept 21
 Sept 14 Sept 24 Sept 23 Oct 5
 Sept 23 Oct 8 Oct 9 Oct 10
 * New time dealings may take place
 from 9.00 am two business days earlier.

Excellent industrial production figures and a surprisingly low public sector borrowing requirement for August were encouraging indicators for UK equities yesterday. The market shrugged off the drag of a weak Wall Street overnight and moved higher with such good effect that the FT-SE 100 share index closed at the session's highest, showing a rise of 15.3 to 2,278.4.

Investment activity expanded with the upturn, although there was a hiccup when the New York market resumed easier only to rally strongly after the first hour of business.

The July rise of 2.1 per cent in the UK's industrial production indices was more than double the median forecast, and lifted the annual rate to 3.4 per cent, compared with analysts' predictions of around 2.0 per cent; manufacturing output for the month showed a similar sharp improvement. A PSBR figure of 275m completed a pleasant scenario, being well below the forecast range of £1,000m to £1,500m.

Domestic investors favoured UK defence stock Plessey. Contrary to recent suggestions of a major shareholder reducing his stake to a non-discretionary level, a large buy-back operation throughout Seven big deals went through the SEAQ trading system, including a crossed trade of 5m shares. A number of less sizeable transactions followed, raising total volume to 31m shares traded.

The activity inevitably aroused speculation of possible bid or stakebuilding moves. Siemens, the West German electronic and engineering group, was considered to be a prime candidate, but a spokesman categorically denied that it had bought any shares in Plessey yesterday.

Two traditional marketmakers, Smiths Corp and BZW Securities, heavily supported the stock, the latter following a major buy recommendation to clients yesterday. Jack Summerscale, electronics analyst at BZW, said Plessey shares "had been in the doldrums for some time and were ripe for a bounce".

US sources continued to display enthusiasm for English China Clays, Glaxo and Satchi and Satchi, and eventually widened their net to include financial issues Barclays and NatWest. News that Amsterdam-quoted Akzo was in talks which could lead to the sale of its computing products division made little impact on the price at 2,272.5. US group Sun Lee is thought to be the possible purchaser.

The PSBR news rescued Glits from a soggy opening, which had reflected the sorry state of US bonds. Retail investors concentrated on the new long stock, switching portfolio positions, but

there was little straight business. Traders were content to await tomorrow's monetary statistics before making any major commitments. The success of next Wednesday's auction could depend on these figures. Closing prices changes were minimal and usually confined to the index-linked area.

Gold Verrals were the focal point among drapery counters, rising to 373p as the interim results exceeded all but the most outrageous market estimates.

The excellent figures led City analysts to quickly revise their profit forecasts for the full year. BZW, for example, expressed confidence in the group's future prospects and now anticipate pre-tax profits around the £220m mark. The securities house recommended clients to purchase Verrals' shares for "an additional discount" highlighting the group's growth "to the sector average".

Guinness Peat continued to attract a substantial business. New Zealand's Equicorp announced it had increased its offer from 110p a share to 115p a share. At the same time it revealed an increased stake in Guinness Peat to 39.2 per cent, having acquired 11.9m Guiness Peat shares from original holders from Formula Left Activity was further boosted when it announced that Robert Maxwell had bought 8.1m shares (or 2.57 per cent of Guinness Peat) which added to a holding of just below 1 per cent lifted his total stake to around 3.5 per cent. Guinness Peat shares touched 120p bid before easing to a net 3 up at 119p after a turnover of 10m shares.

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Apart from Guinness Peat the merchant bank sector was additionally highlighted by the late burst of strength in Morgan Grenfell, which jumped from around 540p to 564p in a matter of minutes as a rumour swept markets that insurance broking group Willis had sold its 20.6 per cent stake to Security Pacific; Morgan shares later eased to a close net 21 higher at 561p; Willis later denied

FINANCIAL TIMES STOCK INDICES										
	Sep. 16	Sep. 15	Sep. 14	Sep. 11	Sep. 10	Year ago	1987	Since Completion		
								High	Low	
Government Secs	85.33	85.45	85.47	85.43	85.33	85.45	92.32	84.49	127.4	49.18
Fixed Interest	91.63	91.60	90.89	90.92	90.81	92.19	92.12	90.29	105.4	50.53
Ordinary	1790.2	1775.4	1775.4	1763.8	1761.3	1752.2	1762.2	1762.2	1752.2	49.4
Gold Minns	447.2	445.8	445.5	433.0	440.9	316.4	497.5	262.2	734.7	41.5
Drl. Inv. Yield	3.27	3.29	3.30	3.33	3.33	4.35				
Earnings Yld (%full)	8.01	8.07	8.07	8.14	8.15	10.02				
P/E Ratio (avg*)	15.27	15.17	15.16	15.04	15.02	12.24				
SEAG Bargains (5 per)	31.90	31.57	30.87	47.76	36.82					
Equity Turnover (Ex)	—	1296.25	1376.34	1244.71	555.07					
Equity Turnover (Ex)	—	40.78	52.149	49.337	38.933	17.169				
Shares Traded (m)	—	520.4	527.6	438.8	228.5					
S.E. ACTIVITY										
Indices				Sep. 15	Sep. 14					
Gilt Edged Bargains				95.1	93.1					
Equity Bargains				263.8	237.9					
Equity Value				262.0	276.1					
Small Stocks				174.7	164.7					
Equity Bargains				99.3	102.8					
Equity Value				260.1	274.3					

▼ Opening 1774.1 10 a.m. 1775.4 11 a.m. 1781.9 Noon 1788.8 1 p.m. 1787.4 2 p.m. 1787.2 3 p.m. 1784.5 4 p.m. 1786.6

Day's High 1770.2 Day's Low 1774.1 Basic 100 Govt. Secs 15/10/86, Fixed Int. 1928, Ordinary 17/7/85, Gold Minn 12/9/85, SE Activity 1974 - Net 15.02

London Report and Latest Share Index: TEL 81-246 8026

7ip and S. & W. Beriford 3 to 35p. Bernard Matthews, dull on Tuesday after poor figures, rallied to 6 to 13p, but Chambers and Partners encountered profit-taking in the wake of the recent good rise and settled 15 lower at 15p. Grand Metropolitan benefited from an analyst's meeting and reports of a broker's recommendation to close 17 higher at 26p.

Contrasting trading statements prompted several outstanding movements among miscellaneous industrials. Hollis was the sector's firm feature, rising 17 to 145p in reply to more-than-trebled half-year profits. On the other hand, disappointing figures left Bridon off 6 at 180p and J. Hewitt down at 213p. Wilson's fell 7 to 434p. Elsewhere, Feeder attracted good support and rose 11 to 69p, but kept Trust shed 25 to 60p and Falcon lost 7 at 38p following profit-taking.

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

Continued from Page 38																		Continued from Page 38				
12 Month High	Low	Stock	P/E	S/S	Div.	Y.M.	1M	E	P/E	S/S	Div.	Stock	P/E	S/S	Div.	Stock	P/E	S/S	Div.	Stock		
52 Weeks High	Low	Div.	Y.M.	S	100s	High	Low	Gross	Close	Low	Gross	Div.	Y.M.	1M	High	Low	Div.	Y.M.	1M	High	Low	
250	167	PopCap	44	7.4	11	285	180	10%	105	100	+1%	172	24	SeaG	pc2.10	13	69	150	162	182	182	182
126	121	PopCo	8	1.7	20	503	40	2%	105	100	+1%	56	342	SeaG	pd4.12	7.7	6	50	50	50	50	50
421	242	PopCoCo	8	1.7	20	503	40	2%	105	100	+1%	102	101	Seagair	1.10	—	105	235	235	235	235	
373	103	PortF	n.154	9.2	27	151	114	1%	114	112	+1%	492	337	SealAir	.52	19	123	229	216	216	216	
475	25	PortF	n.154	9.0	1.7	151	114	1%	114	112	+1%	394	236	SealPvt	.10	3.1	13	231	230	230	230	
512	52	Portman	40s	6.7	12	161	74	0%	67	65	+1%	492	337	Seas	.50	3.6	13	151	151	151	151	
104	84	PPPL	pri.15	1.2	12	631	54	0%	54	52	+1%	604	55	SeasPvt	.80	2.6	16	55	55	55	55	
154	82	PrgrDr	.22	2.2	105	39	0%	39	37	+1%	604	55	SeasA15s	.2	1.6	15	55	55	55	55		
240	242	PrgrDr	.20	1.9	24	137	36	0%	36	34	+1%	112	92	SeasB15s	.1	1.7	7	55	55	55	55	
211	172	PrgrDr	.27	0.8	162	200	0%	200	198	+1%	217	104	Sequoia	.5	4.4	18	114	114	114	114		
21	124	PrgrDr	.27	0.7	57	29	0%	29	27	+1%	209	104	Sequoia	.5	4.4	18	114	114	114	114		
77	561	PrgrDr	.12	1.6	54	16	0%	16	14	+1%	204	104	Sequoia	.5	4.4	18	114	114	114	114		
511	175	PrgrDr	.10	2.6	17	332	70	0%	70	68	+1%	341	258	Sequoia	.5	4.4	18	114	114	114	114	
85	51	PrgrDr	.03	4.8	20	201	65	0%	65	63	+1%	226	144	Sequoia	.5	4.4	18	114	114	114	114	
25	19	PrgrDr	.02	1.6	8	282	20	0%	20	19	+1%	202	104	Sequoia	.5	4.4	18	114	114	114	114	
45	36	PrgrDr	.02	8.4	22	222	45	0%	45	43	+1%	202	104	Sequoia	.5	4.4	18	114	114	114	114	
40	47	PrgrDr	.02	10	210	42	0%	42	40	+1%	274	104	Sequoia	.5	4.4	18	114	114	114	114		
54	43	PrgrDr	.02	10	220	45	0%	45	43	+1%	202	104	Sequoia	.5	4.4	18	114	114	114	114		
97	84	PrgrDr	.02	7.1	220	81	0%	81	79	+1%	204	104	Sequoia	.5	4.4	18	114	114	114	114		
105	92	PrgrDr	.02	10	233	84	0%	84	82	+1%	204	104	Sequoia	.5	4.4	18	114	114	114	114		
124	124	PrgrDr	.01	11	28	127	54	0%	54	52	+1%	541	374	Singer	.40b	7.8	28	115	115	115	115	
151	114	PrgrDr	.03	11	28	127	54	0%	54	52	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
127	111	PrgrDr	.02	10	210	75	0%	75	73	+1%	184	124	Singer	.40b	7.8	28	115	115	115	115		
128	110	PrgrDr	.02	11	220	75	0%	75	73	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115		
105	65	PrgrDr	.02	12	210	84	0%	84	82	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115		
103	65	PrgrDr	.02	10	100	84	0%	84	82	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115		
20	72	PrgrDr	.02	10	210	74	0%	74	72	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115		
57	71	PrgrDr	.02	7.8	10	210	74	0%	74	72	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
144	144	PrgrDr	.04	6.6	13	111	44	0%	44	42	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
124	65	PrgrDr	.03	2.7	16	87	115	0%	115	112	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
22	13	PrgrDr	.04	2.2	16	87	115	0%	115	112	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
155	155	PrgrDr	.02	12	82	127	25	0%	25	23	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
275	275	PrgrDr	.02	8.7	27	127	25	0%	25	23	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
104	95	PrgrDr	.02	8.7	27	127	25	0%	25	23	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
22	22	PrgrDr	.01	7.0	47	382	15	0%	15	13	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
162	162	PrgrDr	.02	1.7	13	535	104	0%	104	102	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
171	171	PrgrDr	.02	1.7	13	535	104	0%	104	102	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
71	473	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
200	19	PrgrDr	.02	5.3	11	129	24	0%	24	22	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
19	7	PrgrDr	.02	0.6	14	129	24	0%	24	22	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
92	92	PrgrDr	.02	1.4	14	129	24	0%	24	22	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
71	71	PrgrDr	.02	3.3	14	423	84	0%	84	82	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
125	125	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
225	225	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
125	125	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
275	275	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
173	173	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
173	173	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
173	173	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
173	173	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
173	173	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
173	173	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
173	173	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
173	173	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115	115	115	
173	173	PrgrDr	.02	5.6	16	854	85	0%	85	83	+1%	204	104	Singer	.40b	7.8	28	115	115			

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/ Ss				P/ Ss				P/ Ss				P/ Ss				P/ Ss														
		E	100s	High	Low	Class	Change	E	100s	High	Low	Class	Change	E	100s	High	Low	Class	Change	E	100s	High	Low	Class	Change							
AT&T		106	165 ⁺	165 ⁺	165 ⁺	-	-	DI	Ind	5	23 ⁺	23 ⁺	23 ⁺	-	IntlSy	13	1883	216	178	21 ⁺	1 ⁺	RSW	.10	102	7	7 ⁺	7 ⁺	-				
AcmePr		8	5	5	3	-	-	DWG		9	138	6 ⁺	54	54	-	IntlSy	.75	26	77 ⁺	77 ⁺	77 ⁺	-	Ragan	.12	138	1	18 ⁺	19 ⁺	-			
Actions		19	20 ²	20 ²	20 ²	-	-	Demon		20	25 ⁺	25 ⁺	25 ⁺	-	IntlCp	.80	23	3	134 ⁺	134 ⁺	134 ⁺	-	Ranby	.30	32	52	11 ⁺	11 ⁺	-			
AdQuill		297	121 ⁺	121 ⁺	121 ⁺	41 ⁺	-	DataPd	.16	34	219	11 ⁺	11 ⁺	11 ⁺	-	Internat	.10	26	230	13 ⁺	13	13	-	Rest A	.15	428	57	554	57	-		
AlbaW		12	35	35	35	35	-	Delimed		1067	15	11 ⁺	11 ⁺	11 ⁺	-	IntStat		572	54	54 ⁺	54 ⁺	54 ⁺	-	RestB	.16	68	17	174 ⁺	174 ⁺	-		
Alphain		94	94	94	94	94	-	Dillard	.16	19	156	47 ⁺	45 ⁺	45 ⁺	-	IntPer		5	75 ⁺	75 ⁺	75 ⁺	-	RestAsA	.30	16	148	173 ⁺	173 ⁺	-			
Alta		185	1753 ⁺	42 ⁺	40 ⁺	40 ⁺	-	Diodes		23	33 ⁺	31 ⁺	31 ⁺	-	IraqBrd	.8	3	278 ⁺	278 ⁺	278 ⁺	-	Rogers	.12	29	251 ⁺	247 ⁺	247 ⁺	-				
Amdahl		20	23	131	43	41 ⁺	-	DomeP		2405	5	13 ⁺	12 ⁺	12 ⁺	-	Jetron	.56	13	61 ⁺	5	5	-	Rudick	.32	13	3	197 ⁺	197 ⁺	-			
Altserv	.31a	9	17	20 ²	24 ²	24 ²	-	DomeP	.50	50	115	35 ⁺	154 ⁺	154 ⁺	-	JohnPD	.9	4	31 ⁺	31 ⁺	31 ⁺	-	S		S		S		S			
AMcra	.52	11	83	25 ²	24 ²	25 ²	+ 1 ²	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	JohnPD	.9	26	22 ⁺	22 ⁺	22 ⁺	-	GW	1.88	11	5	341 ⁺	341 ⁺	-		
AMcBz	.52	10	48	23	22 ²	22 ²	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	KayCp	.12	5	45 ⁺	13	13	-	Sage		1	91 ⁺	91 ⁺	91 ⁺	-		
AMBD		52	34	34	34	34	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	KeyCoA	.20s	175	53	31 ⁺	31 ⁺	31 ⁺	-	ShoCoN	0.25	95	85	165 ⁺	165 ⁺	-	
APrec		15	40	65 ²	55 ²	55 ²	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	Kinark	.10	16	45 ⁺	41 ⁺	41 ⁺	-	Salem		1	71 ⁺	71 ⁺	71 ⁺	-		
Approy	.33e	20	62	14 ²	14 ²	14 ²	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	Kirby		88	45 ⁺	41 ⁺	41 ⁺	-	ScandF		44	91 ⁺	91 ⁺	91 ⁺	-		
ASCI		6	70	51 ²	51 ²	51 ²	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	KogerC	.40	152	109	30 ⁺	26 ⁺	26 ⁺	-	Schelb	.36	17	111	173 ⁺	173 ⁺	-	
Ampli		.06	9	354	3	24 ²	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	LadBarg		7	25	15 ⁺	15 ⁺	15 ⁺	-	ShelCp	.50	6	104 ⁺	104 ⁺	104 ⁺	-	
Andal		4	36	71	71	71	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	LeBarq		8	9	51 ⁺	51 ⁺	51 ⁺	-	SecCap	.05	15	5	41 ⁺	5	+ 1 ⁺	
Andic		5	2	2	2	2	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	Laser		12	28	12 ⁺	12 ⁺	12 ⁺	-	SilesA	.16	10	135 ⁺	132 ⁺	132 ⁺	-	
ArctCnn		49	71	71	71	71	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	LeisurT		8	50	75 ⁺	75 ⁺	75 ⁺	-	Soltron	.15	41	9	85 ⁺	85 ⁺	-	
Armut		5	2	2	2	2	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	Lilbun		14	231	2	17 ⁺	17 ⁺	17 ⁺	-	SpedOP		10	47 ⁺	46 ⁺	46 ⁺	-
Asmrg	.20	8	50	30	29 ²	29 ²	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	Lionel		14	233	7 ⁺	7 ⁺	7 ⁺	-	StamEd		20	15	125 ⁺	125 ⁺	-	
Astroic		354	7	11 ⁺	11 ⁺	11 ⁺	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	LorTel		14	237	17	16 ⁺	16 ⁺	16 ⁺	-	StarEl		71	8	24 ⁺	24 ⁺	-
AtsCM		162	12	12	12	12	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	Lumex	.08	13	57	155 ⁺	151 ⁺	151 ⁺	-	StarSI		13	408	91 ⁺	84 ⁺	-	
Attaent		171	171	171	171	171	-	DomeP	.50	20	11	65	15 ⁺	154 ⁺	154 ⁺	-	LynchC	.20	29	18	18 ⁺	18 ⁺	18 ⁺	-	Synaloy		45	51 ⁺	51 ⁺	51 ⁺	-	
BAT	.27a	14	557	11 ⁺	11 ⁺	11 ⁺	-	G	G	27	167	8 ⁺	81 ⁺	81 ⁺	-	MCO	Hd	14	175	175	175	-	TIE	.1474	5	54	54	54	-			
BankG		12	4	105 ²	105 ²	105 ²	-	G	G	169	7 ⁺	7 ⁺	7 ⁺	7 ⁺	-	MCO	Pa	12	3	11-10	3	1+1-10	-	TH		9	54	54	54	-		
Baruch		16	18	74	74	74	-	G	G	189	7 ⁺	7 ⁺	7 ⁺	7 ⁺	-	MCO	Or	32	133	285 ⁺	225 ⁺	225 ⁺	-	TabPrd	.20	18	28	17 ⁺	17 ⁺	-		
BarpBr		32	15	25 ²	25 ²	25 ²	-	G	G	224	37	35 ⁺	364 ⁺	364 ⁺	-	MSR		376	3	27 ⁺	27 ⁺	27 ⁺	-	TendBr		38	22	17 ⁺	17 ⁺	-		
BlcCp	.72	14	35	20 ²	20 ²	20 ²	-	G	G	224	22	16	273 ⁺	273 ⁺	-	Matrix		19	145	231 ⁺	225 ⁺	225 ⁺	-	TchAm		1305	5	34	34	-		
BlcVg	.22	21	110	20 ²	20 ²	20 ²	-	G	G	224	22	16	273 ⁺	273 ⁺	-	Medias		34	60	40	41	40 ⁺	-	TechTp		14	108	59 ⁺	59 ⁺	-		
Blcmf		15	5	32	32	32	-	G	G	224	22	16	273 ⁺	273 ⁺	-	Medcore		17	565	51 ⁺	51 ⁺	51 ⁺	-	Telsci		45	21	21 ⁺	21 ⁺	-		
BlockE		22	24	24	24	24	-	G	G	224	22	16	273 ⁺	273 ⁺	-	MichStr		18	381	57 ⁺	57 ⁺	57 ⁺	-	Teleph		6561	75	75	75	-		
BlounA		45	28	21	19 ²	19 ²	-	G	G	224	22	16	273 ⁺	273 ⁺	-	MidAm		33	5	74	74	74	-	Tmples		154	11 ⁺	11 ⁺	11 ⁺	-		
BlouBm		40	23	19 ²	19 ²	19 ²	-	G	G	224	22	16	273 ⁺	273 ⁺	-	MissWn	.32	32	16 ⁺	10 ⁺	10 ⁺	10 ⁺	-	TaxAir		28	152	255 ⁺	245 ⁺	245 ⁺	-	
BlowVal	10r	1	134	134	134	134	-	G	G	224	22	16	273 ⁺	273 ⁺	-	Modem		14	306	154 ⁺	149 ⁺	149 ⁺	-	TrisAM		21	27	181 ⁺	185 ⁺	185 ⁺	-	
Bommw	25	16	214	214	214	214	-	G	G	224	22	16	273 ⁺	273 ⁺	-	N	N	11	55	54 ⁺	54 ⁺	54 ⁺	-	TubMax		14	554	11 ⁺	103	103	-	
Brcng	.85	35	28	28	28	28	-	G	G	224	22	16	273 ⁺	273 ⁺	-	N	N	11	55	54 ⁺	54 ⁺	54 ⁺	-	U		U		U		U		
CDis		20	5	245	24 ²	24 ²	-	G	G	224	22	16	273 ⁺	273 ⁺	-	N	N	11	55	54 ⁺	54 ⁺	54 ⁺	-	USRInd		6	11 ⁺	11 ⁺	11 ⁺	-		
CMi Cp		27	31	31	31	31	-	G	G	224	22	16	273 ⁺	273 ⁺	-	N	N	11	55	54 ⁺	54 ⁺	54 ⁺	-	Ultra		283	94 ⁺	94 ⁺	94 ⁺	-		
Calprep	.93	13	46	54	54	54	-	G	G	224	22	16	273 ⁺	273 ⁺	-	N	N	8	23	23 ⁺	23 ⁺	23 ⁺	-	UnValy		9	84 ⁺	84 ⁺	84 ⁺	-		
CamCenn		15	25	25	25	25	-	G	G	224	22	16	273 ⁺	273 ⁺	-	N	N	14	55	54 ⁺	54 ⁺	54 ⁺	-	UFoodD		8	82	21 ⁺	21 ⁺	21 ⁺	-	
CamPcs	40	18	25	22	22	22	-	G	G	224	22	16	273 ⁺	273 ⁺	-	N	N	14	55	54 ⁺	54 ⁺	54 ⁺	-	UFoodS		7	27	21 ⁺	21 ⁺	21 ⁺	-	
CamCtdA		24	21	28	26	26	-	G	G	224	22	16	273 ⁺	273 ⁺	-	N	N	14	55	54 ⁺	54 ⁺	54 ⁺	-	UrnPal		100	144 ⁺	144 ⁺	144 ⁺	-		
CamDvbg		5	10	10	10	10	-	G	G	224	22	16	273 ⁺	273 ⁺	-	O	O	17	7	28	28	28	-	V		42	22	21 ⁺	21 ⁺	21 ⁺	-	
CamGcs		15	15	16 ²	16 ²	16 ²	-	G	G	224	22	16	273 ⁺	273 ⁺	-	O	O	17	7	28	28	28	-	ViAmCs	.35	13	54	54	54	-		
Comina		15	15	16 ²	16 ²	16 ²	-																									

OVER-THE-COUNTER Nasdaq national market, closing price

Stock	Sales (\$ mil)	High	Low	Last	Chg	Stock	Sales (\$ mil)	High	Low	Last	Chg	Stock	Sales (\$ mil)	High	Low	Last	Chg	Stock	Sales (\$ mil)	High	Low	Last	Chg	
ADC	78	247	254	274	+ 274	Cheroh	26	1296	16	164	+ 164	- 25	FDDfCo.	.32	11	30	151	- 151	Kaydon	106	153	30	259	+ 259
ASK	22	1900	194	195	+ 195	ChesterCo.	26	150	17	154	+ 154	- 14	FEExco	.32	11	3147	59	+ 59	KlySwA	54	55	57	56	+ 56
AST	17	1555	160	154	+ 154	ChiChi	26	208	57	57	+ 57	FEExpf2.12s	.32	11	21	251	- 251	Kemps	60	7	1163	311	+ 311	
AbleG	41	197	197	17	+ 17	ChiClock30s	17	426	51	51	+ 51	FEExpf2.5s	.32	11	21	251	- 251	KyChLs	40	9	84	172	+ 172	
ActiArt	121	17	17	17	+ 17	ChiAuto	17	22	102	102	+ 102	FFPMic	.12	3	325	177	- 177	Kinder	036	18	2023	159	+ 159	
Acmons	45	169	237	20	+ 20	ChiMid	20	26	174	174	+ 174	FFPfCal	.32	7	52	27	+ 27	Krups	30	15	62	159	+ 159	
Acusen	36	572	574	574	+ 574	ChipsTe	26	266	27	27	+ 27	FFPMic	.40	7	1251	244	- 244	Kulcke						
Adapt	14	225	225	114	+ 114	Chrom	26	203	11	104	+ 104	- 14	FFPR	.32	11	703	257	- 257	LAGear		665	173	116	+ 116
AdisAv	.18	50	16	254	+ 254	ChrDot	22	50	155	155	+ 155	FFPMic	.72	11	42	314	- 314	LSI	40	122	2465	129	+ 129	
Adobe	23	124	265	25	+ 25	ChrFan	26	163	52	52	+ 52	FFRho	.1	11	11	26	- 26	LTK		616	274	274	+ 274	
AdvTel	23	248	250	25	+ 25	ChrFwd	26	26	174	174	+ 174	FFRCp	.44	11	17	200	- 200	LeaFrs		34	4202	195	+ 195	
AdvWay	25	254	11	254	+ 254	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	17	201	- 201	LeaLs		15	522	254	+ 254	
AgencyR	1	27	46	34	+ 34	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	LeTBs		25	1161	9	+ 9	
Agincog	20	143	27	27	+ 27	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	LamRs		17	1171	24	+ 24	
AirWise	16	18	253	105	+ 105	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	Lances		21	115	23	+ 23	
AleAfds	16	14	14	14	+ 14	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	LndEds		21	115	23	+ 23	
AlcohIt	14	181	177	154	+ 154	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	LawSrv		21	115	23	+ 23	
AlesBrs	.16	4	16	16	+ 16	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	LeDts		21	115	23	+ 23	
AlexBld	136	14	553	574	+ 574	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	LeTech		21	115	23	+ 23	
AlegW	30	8	1677	219	+ 219	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	LnGrids		21	115	23	+ 23	
AlegEv	202	15	15	15	+ 15	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	LnFilm		21	115	23	+ 23	
Alient	36	155	17	154	+ 154	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	Liposar		21	115	23	+ 23	
Alkdn	103	624	54	54	+ 54	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	LoveSty		21	115	23	+ 23	
Alos	1	25	25	14	+ 14	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	LongF	1	80	211	108	+ 108	
Amcast	.44	4	7	12	+ 12	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	Lohas		21	115	23	+ 23	
AMWair		405	54	54	+ 54	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	Loyola		21	115	23	+ 23	
AmCarr	.50	4	8	9	+ 9	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	Lynche		21	115	23	+ 23	
ACMts		15	123	64	+ 64	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	M	M	M	M	M	+ 1	
AGreen	.28	14	52	52	+ 52	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	MBS		117	117	117	+ 117	
AMHlth	.40	14	22	27	+ 27	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	MCI		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	MNC		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	MNDS		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	MNTx		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	MTECH		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	MeckTr		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	Mhd ps		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	Magnel		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	MgSci		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	Mitnne		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	Mirant		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	MrbfB		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	Marsh		117	117	117	+ 117	
AMHlth	.40	31	21	17	+ 17	ChrFwd	26	26	27	27	+ 27	FFRCp	.44	11	18	275	- 275	Mscamp		117	117	117	+ 117	
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AMHlth	.40	31	21</td																					

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10. The following table shows the number of hours worked by each employee.

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10. The following table shows the number of hours worked by each employee.

10. The following table gives the number of hours worked by each of the 1000 workers.

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FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Blue chips fall amid currency, bonds worries

WALL STREET

STABILITY eluded Wall Street yesterday as a late decline extended Tuesday's setback in blue chips to more than 3 per cent for the two days, writes Gordon Cramb in New York.

The Dow Jones industrial average, moving narrowly either side of overnight levels until mid-afternoon, gave way to worries in the bond and currency markets, finishing 30.39 lower at 2,330.19. Volume increased sharply to 195.7m shares from 136.2m, and the NYSE composite index lost 1.47 to 176.51. Of its constituents, only 509 advanced and 1,018 fell back.

Analysts appear agreed that the course of interest rates in the US, themselves subject to the direction of the dollar, is being taken as the clearest determinant of whether stocks can sustain an upward movement and set aside an uncomfortable few weeks.

According to economists at Griggs and Santow, most analysts expect long-dated federal bond yields to emerge by the year-end more likely at 10 per cent than 9 per cent but draw some comfort from the belief that this range should not be exceeded by any great margin.

In the stock market, Newmont Mining remained actively dealt but at \$99 it let go \$2 of a 5.5% gain the previous session as the market evaluated the chances of Mr Boone Pickens' Ivalhoe in pressing through its \$105 a share revised bid. The 90 per cent owned Newmont Gold at \$45.50 lost \$1.50.

Utilities, not much moved overall in price terms, were featured by Detroit Edison. In far and away the busiest volume, it edged 5% lower to \$15.75 before going ex-dividend to day.

W. R. Grace put on 5% to \$68 on news that it was to take into commercial development an emissions control system for coal-fired power stations and that it was to buy a tool division of NL Industries, itself steady at \$94. Fluor, the contracting and coal group which overnight reported a further loss, shed 5% to \$17.40.

On the technology boards IBM was accorded an initial 5.1% rally on further reflection of the arbitration finding in its copyright tussle with Fujitsu but was later dragged 5% lower to \$156.50. Digital Equipment lost 5% to \$186.50.

Singer rose 3.5% to \$55.50, unrestrained by an overnight disclaimer from Hercules that it might be preparing a bid for the aerospace and marine electronics group. Hercules came down 5.1% to \$61.50, continuing a poor response to terms of its deal with Montedison of Italy, which is buying its share of Hymont - the polypropylene maker eased 5% to \$45.

The retailers were another focus. The Limited was down a further 5% to \$33.40 in active dealings after a 5.1% fall on Tuesday continued a poor patch. Carter Hawley Hale,

which expects a wider quarterly loss, shed 5% to \$13.50, and Gap, a clothing chain, slid 5.5% to \$55.50.

Crazy Eddie, the troubled electronics chain, firmed 5% to \$4.50. Mr Eddie Antar, its founder, halved his stake to 4.7 per cent while the company separately announced a Motorola contract to install and service its telephones.

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Aaron Spelling Productions firmed 5% to \$39 despite warning of lower earnings. Cannon Group, the embattled film production house, reviewed 5% to \$4.50.

The Detroit automotive sector continued to monitor the labour talks which yesterday showed signs of reaching a conclusion at Ford, the benchmark deal from which others will be drawn this year. However, there was also the prospect of an increased Honda presence in the US car industry if it goes ahead with a second plant.

Ford let go 5% to \$104 and Chrysler, contending with a Canadian strike, lost 5% to \$42. General Motors, up an early 5.5%, ended 5% weaker at \$87. It took advantage of tax benefits to push \$1.04m of preferred stock into its pension plan.

Among oil and gas issues Amoco dropped 5% to \$77.50. It may improve its stalled bid for Dome Petroleum of Canada. Exxon was 5% lower at \$86 while Chevron lost 5.1% to \$32.

Credit markets were resilient at the start and as the Federal Reserve offered \$1.5bn of customer repurchase arrangements and announced four and seven-day system repurchases starting today. This left federal funds at 7% per cent after opening higher at 7.5%, and three-month Treasury bill yields came four basis points lower to 6.51 per cent.

However, the 2017 long bond, which bears a 8% coupon, shed 5% to a price of 92 where it was yielding 9.88 per cent.

CANADA

INDUSTRIALS and mining issues continued to sag in Toronto, depressing prices overall despite strength in oil and gas issues.

Of the latter, Texaco Canada climbed 5% to \$33.50, Imperial Oil class A 5.5% to \$37.50 and Gulf Canada 5% to \$32.50.

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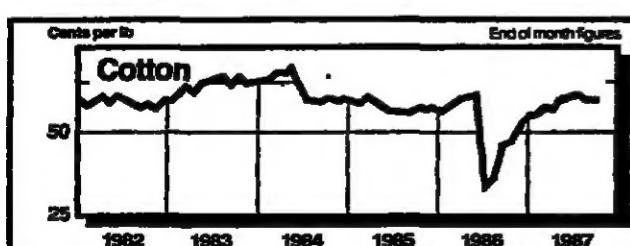
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KEY MARKET MONITORS



STOCK MARKET INDICES

	Sept 16	Prev Year ago
DJ Industrials	2,530.19	2,555.58 2,776.54
DJ Transport	1,024.76	1,033.45 792.25
DJ Utilities	185.71	189.50 199.93
S&P Comp.	319.21*	317.90 231.72

LONDON FT

Ord	1,790.2	1,775.4	1,282.2
SE 100	2,275.2	2,284.5	1,595.70
A All-share	1,165.19	1,158.17	793.76
A Share	1,207.77	1,203.30	871.50
Gold mines	447.2	445.8	316.5
A Long Gilt	10.02	8.89	9.99
World Act. Ind	134.67	135.35	94.46

TOKYO

Nikkei	24,557.73	closed 17,633.2
Tokyo SE	2,051.71	closed 1,444.68

AUSTRALIA

All Ord.	2,274.5	2,230.6	1,224.4
Metal & Mins.	1,430.8	1,410.4	825.4

AUSTRIA

Credit Aktien	218.33	217.45	237.33

BELGIUM BE

SE	5,142.40	5,193.50	3,908.09

CANADA

Toronto	3,216.5	3,235.5	2,161.58
Met & Mins.	3,908.4	3,921.7	2,986.9
Bontrust	1,336.27	1,339.90	1,510.14

DENMARK DK

SE	n/a	204.08	195.41

FRANCE

CAC Gen	425.00	428.70	395.8
Ind. Tendance	110.30	111.10	89.58

Australian shares soar on budget news

THE AUSTRALIAN stock market yesterday surged to fresh record highs in a bullish reaction to Tuesday's federal budget projecting a near-zero deficit and foreshadowing interest rate falls.

A prompt decision by the major trading banks to lower their key lending rates, together with encouraging balance of payments figures for August, added to the day's momentum, and trading was heavy.

Rises were across the board, but the biggest trading was concentrated on blue-chip stocks. The widely-watched All-Ordinaries index, covering 280 companies in all sectors, jumped 43.3 points to finish at 2,744.

Other indices performed similarly: the All-Industrials rose 7.1 to 3,359.0, the All-Resources put on 21.5 to 1,442, and the Gold Index surged through the 4,000 barrier to finish 6.7 higher at 4,018.8.

The market finished off its best day at noon the All-Ordinaries index stood 48 points higher at



2,778.0. Overall, an estimated 218m shares worth some A\$566m (US\$413m) changed hands, and rises outnumbered falls by two to one.

Retailers, builders, property groups and transport companies were deemed most likely to benefit from interest rate falls and showed the strongest rises.

They included retailers David Jones, up 80 cents at A\$14.10, and Coles Myer, 22 cents higher at A\$1.30, and property stocks Land and Hooker, jumping A\$1.20 to A\$18.80 and 30 cents to A\$5.30, respectively.

Building materials company Boral put on 38 cents to A\$6.88, and transport group TNT added 34 cents to A\$6.90.

Pacific Dunlop, the diversified rubber products group which reported higher profits yesterday, rose 12 cents to A\$5.70. Adelaide Steamship, which has bought a 5 per cent stake in Royal Insurance of the UK, was up 10 cents at A\$10.80.

Some mining companies and resources groups also performed well, with Western Mining up 20 cents at A\$10.20, and BHP and CRA gaining 30 cents to A\$10.80 and 20 cents to A\$11.30, respectively.

In value terms the most heavily traded stocks included REP, Bell Resources, which closed 10 cents up at A\$5.30 and News